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No. 32,226 40/86 ** PARIS, WEDNESDAY, OCTOBER 1, 1986 ESTABLISHED 1887

# Tax Data Exchange Is Gaining

## *Measure Would Stiffen Curbs On Avoidance*

By Axel Krause
*International Herald Tribune*

PARIS — A proposed international tax convention that would give Western governments new means of cooperating to pursue cases of illegal tax avoidance is moving toward its first political seal of approval early in November.

The draft of the tax convention, a copy of which was obtained by the International Herald Tribune, has been under closely guarded discussion among Western governments since November 1982.

Known as the Draft Convention on Mutual Administrative Assistance in Tax Matters, the proposed convention was approved earlier this year by the legal and fiscal committees of the Council of Europe in Strasbourg and of the Organization for Economic Cooperation and Development in Paris.

The purpose of the convention is to encourage the exchange of information between tax authorities in cases of suspected tax evasion by corporations and individuals.

Such an exchange is necessary, according to the preamble, because the rapid expansion in the transfer of people, capital, goods and services has "increased the possibilities of tax avoidance and evasion, and therefore requires increasing cooperation among tax authorities."

The draft, comprising 32 articles, suggests the use of simultaneous tax examinations and participation by tax officials of one country in investigations in another.

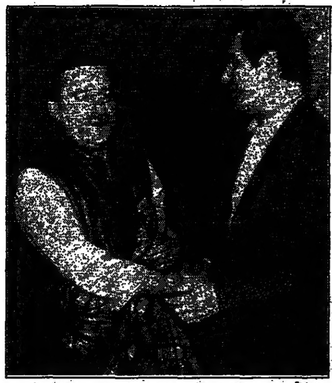
It also encourages greater direct and "spontaneous" cooperation among the authorities to recover taxes owed in another country, including taxes on income and profits, capital gains, net wealth and compulsory social security contributions.

The first imprimatur for the convention is to come early next month when representatives of the 21-nation Council of Europe vote on the draft. A similar vote is then to be called at the OECD, the 24-nation agency that includes most West European governments belonging to the Council of Europe, as well as the United States, Japan, Australia and New Zealand.

The two bodies, which have coordinated their efforts, are expected to adopt the draft in its current form, according to government officials in Europe and Washington.

That would clear the way for the

See TAXES, Page 2



Lech Walesa, left, and Zbigniew Bujak in a show of unity Tuesday before a meeting of Solidarity leaders in Gdansk.

# Solidarity Will Try To Operate Openly

By Jackson Diehl
*Washington Post Service*

WARSAW — Lech Walesa appointed a seven-member Temporary Solidarity Council and two underground activists emerged from hiding Tuesday as the independent trade union Solidarity began its first effort to operate publicly since its suppression in December 1981.

The initiatives, announced at a news conference in Warsaw by members of Solidarity's newly reorganized Warsaw regional council, were the most important opposition move in Poland in four years.

Political activists said the effort posed a major political test for the government of General Wojciech Jaruzelski.

In a statement, Mr. Walesa and the newly formed council defined their goal as restoring free trade unions and other public groups independent of Poland's Communist Party.

"Our union exists and will exist with the will of its members," the group declared. "We are ready to work for steps restoring pluralism."

The creation of the new union organization followed the government's release of all political prisoners two weeks ago. Opposition activists said the move was intended to test the authorities' willingness to accept a semiopen opposition and to answer official calls for an end to clandestine political activity.

Government officials had no immediate comment on Solidarity's statement, and the development was ignored by the official media.

The government spokesman, Jerzy Urban, refused to comment on the union's activities, asserting that Solidarity's meetings were "social gatherings" and that Mr. Walesa was "an ordinary private citizen."

General Jaruzelski warned opposition leaders last month against seeking to rebuild their organizations after amnesty was granted. He appeared to rule out negotiations with nominal representatives of Solidarity, which remains officially banned.

Political observers in Warsaw said that Mr. Urban's statement might have signaled an initial government strategy of ignoring, and thereby tacitly tolerating, the new organization while private talks continue with church and opposition leaders about possible political settlements.

Zbigniew Bujak, the former underground leader and head of the Warsaw regional council, said that the new Temporary Solidarity Council would replace the Temporary Coordinating Commission, an underground group founded in April 1982.

The new council includes the commission's original leaders, including regional chiefs such as Mr. Bujak. Mr. Walesa is not a member of either council but is still considered the union's chairman, activists said.

The two longtime fugitives who surfaced Tuesday, Viktor Kuleski and Jan Litynski, are members of the Warsaw regional council.

# Reagan and Gorbachev to Meet

## *U.S. Expels Zakharov After Trial*

*Reuters*

NEW YORK — Gennadi F. Zakharov pleaded no contest Tuesday to spying charges that could have put him in prison for life.

He was placed on probation for five years and ordered to leave the United States within 24 hours.

The end of the case came just a day after the Soviet Union freed Nicholas Daniloff, the Moscow correspondent of U.S. News & World Report who was accused of spying. He was detained on Aug. 30 after Mr. Zakharov, a Soviet employee at the United Nations, was arrested and accused of receiving classified military secrets.

The Daniloff-Zakharov affair had turned into a major stumbling block for U.S. and Soviet diplomats trying to arrange a summit meeting between Ronald Reagan and Mikhail S. Gorbachev, but both Moscow and Washington announced Tuesday that the two leaders would hold talks in Iceland on Oct. 11 and 12.

Saying "I am not a spy," Mr. Zakharov got into a car and headed for Washington's Dulles Airport, where he took a flight to Moscow. Mr. Daniloff, 51, arrived at the same airport from Frankfurt, where he spent Monday night, less than an hour after Mr. Zakharov's departure.

[United Press International reported that, on arrival, Mr. Daniloff said, "After this long journey of 30 days, I feel terrific."

[At a news conference, he thanked Mr. Reagan for finding a diplomatic solution. He added, "What a wonderful nation it is that will go all out for a single individual."

[Mr. Daniloff said he thought the KGB security police would "be very loathe to do another action of this sort." He recalled that he had appealed for a solution that would preserve "my personal honor and personal integrity would be preserved intact," and he said. "I feel I have been vindicated."

Both Mr. Daniloff and Mr. Zakharov had been in the custody of their respective embassies since Sept. 12. Previously they had been held in prison.

The deal for the two men's release also included a Soviet agreement to allow Yuri F. Orlov, a prominent Soviet dissident serving a term of internal exile, to leave Russia with his wife, Irina, for the United States next week, Secretary of State George P. Shultz said in Washington.

In Moscow, the Tass press agen-

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*Reuters*

Nicholas Daniloff, above, hugged Alexander Rattray, the U.S. consul general in Frankfurt, before flying to Washington. Gennadi F. Zakharov, right, was ordered by a U.S. judge to leave the country. Moscow, meanwhile, agreed to allow Yuri Orlov, below, a prominent Soviet dissident, to leave for the United States.

*AP*

*Reuters-United Press International*

## *Leaders Agree on Talks In Iceland on Oct. 11-12*

By Lou Cannon
*Washington Post Service*

WASHINGTON — President Ronald Reagan announced Tuesday that he will meet with Mikhail S. Gorbachev in Iceland within two weeks as a byproduct of negotiations that freed Nicholas Daniloff in Moscow and Gennadi F. Zakharov in New York.

Mr. Reagan made a surprise appearance in the White House briefing room to announce the meeting on Oct. 11 and 12, which he declined to call a "summit." After the president left the room, Secretary of State George P. Shultz said that Mr. Reagan and Mr. Gorbachev were still "shooting for" a full-dress summit meeting in the United States later this year.

The Reagan-Gorbachev meeting announced Tuesday will be held in Reykjavik and was proposed by the Soviet leader in a letter delivered to the president by Foreign Minister Eduard A. Shevardnadze on Sept. 19.

Previously, the Reagan administration had opposed any summit meeting unless it was well-prepared, but Mr. Shultz said that the proposal appeared to be a "sensible idea" that could lead to progress on arms control and other issues.

Mr. Shultz and other administration officials have said that an agreement limiting intermediate-range nuclear missiles is a likely product of a summit meeting. But a senior White House official said after Mr. Shultz's briefing Tuesday that such an agreement was unlikely to be announced in Iceland.

"It's our expectation that the two leaders will spend more time on issues where they're far apart rather than ones on which they are close together," the official said.

He said this meant serious discussions of rival U.S. and Soviet proposals for limiting intercontinental nuclear weapons but also discussions — as Mr. Shultz emphasized Tuesday — of regional and human rights issues.

After Mr. Reagan's appearance in the briefing room, Mr. Shultz gave details of the arrangement under which Mr. Zakharov was freed.

The Soviet physicist, an employee of the United Nations, who was arrested Aug. 23 for purportedly giving $1,000 to an FBI informant in exchange for classified documents, pleaded no contest in U.S. District Court in New York Tuesday morning to three charges of spying and was placed on five years probation.

One of the conditions of this probation, and the primary goal of Mr. Shevardnadze during his negotiations with Mr. Shultz, was that Mr. Zakharov leave the country immediately and not return during the period of his probation. He was scheduled to leave late Tuesday on an Aeroflot flight from Washington.

In New York, Mr. Shevardnadze said disagreements over "nuclear and space arms" were the main obstacle to better U.S.-Soviet relations, not Mr. Daniloff's arrest in Moscow.

But the Soviet foreign minister said that "a breach in the wall has been reached."

He noted that only a "few hours" separated the release of Mr. Daniloff Monday and that of Mr. Zakharov Tuesday, but he said, through a translator, "I don't know

See MEETING, Page 2

## *Key Elements of the U.S.-Soviet Deal*

*Reuters*

WASHINGTON — These are the key elements, as they have emerged, of a complex arrangement worked out by U.S. and Soviet officials:

SUMMIT — President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader, will meet Oct. 11-12 in Iceland's capital of Reykjavik to prepare the ground for a full-scale summit meeting in the United States. Washington still hopes the U.S. meeting will take place this year as the two leaders agreed when they met in Geneva in November.

DANILOFF — Nicholas Daniloff, the Moscow correspondent for U.S. News & World Report magazine, who was arrested Aug. 30 on spy charges, was allowed to leave the Soviet Union on Monday without facing trial. Mr. Daniloff arrived in Washington on Tuesday.

ZAKHAROV — Gennadi F. Zakharov, the Soviet employee at the United Nations who was arrested Aug. 23 on spy charges in New York, was ordered to leave the United States on Tuesday after pleading no contest to spy charges.

ORLOV — Yuri F. Orlov, the Soviet physicist and human rights activist, who has been in a labor camp and Siberian exile since 1978, will be allowed to leave the Soviet Union by Oct. 7. Mr. Orlov, 62, is expected to come to the United States with his wife.

*EXPULSIONS* — Washington is still insisting that 25 members of the Soviet mission to the UN leave the United States but is willing to discuss Moscow's objections to some of the names on the list. All 25 are alleged by U.S. officials to have been involved in spying.

# *Philippine Rebel Leader Is Captured, Clouding Prospects for a Cease-Fire*

By Seth Mydans
*New York Times Service*

MANILA — The Philippine military said Tuesday that it had arrested the commander-in-chief of the Communist New People's Army, and a rebel spokesman demanded his release as a condition for continuing cease-fire talks between the government and the insurgents.

Rodolfo Salas, 38, was arrested Monday night with his wife, Josefina Cruz, and his driver-bodyguard, Jose Concepcion, as he was leaving a Manila hospital, where he had gone for a medical check, said Sylvestre Afable, a military spokesman.

The military had been seeking Mr. Salas for several years and had offered a reward of 250,000 pesos ($12,500) for his capture.

Mr. Afable identified Mr. Salas as the head of the New People's Army, the military wing of the outlawed Communist Party of the Philippines, which is said to field 16,000 or more fighters.

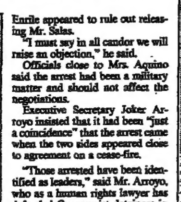
Mr. Salas, a student activist in the 1960s, is believed to have become chairman of the Communist Party after the arrest in 1977 of the party's founder, Jose Maria Sison.

Mr. Sison was one of the political prisoners freed by President Corazon C. Aquino shortly after she became president in February.

The military has said that Mr. Salas lost his party chairmanship this summer in a dispute over whether the party had erred when it boycotted the February election and thereby failed to share in the removal of the former president, Ferdinand E. Marcos.

At a news conference Tuesday two lawyers for the rebels said they believed that the arrest had been an attempt by the military to derail the signing of a cease-fire. A government negotiator had said that an agreement might come this week.

"We do not see how the peace talks can proceed any further unless the three are released," said one of the lawyers, Romeo Capulong. He said that Mr. Salas was



*AP*

Rodolfo Salas after arrest, with nose bandaged because of a sinus ailment.

likely to have become a third member of the negotiating panel for the Communist-dominated National Democratic Front.

Ramon Mitra, one of the government negotiators, noted that Mr. Salas had not been covered by the guarantee of safe conduct that was issued to the two Communist negotiators, Saturnino Ocampo and Antonio Zumel.

But the two lawyers for the Communist side, Mr. Capulong and Arno Sanidad, said in a statement that the arrests had created "serious complications for the future of the talks."

"We are confident that an agreement would have been within reach were it not for this incident," they said.

They said Mr. Salas and his companions, along with Mr. Ocampo and Mr. Zumel, were to have attended Tuesday's press conference to talk about the negotiations.

"Rodolfo Salas has been involved in the process from the beginning as a consultant to the NDF panel," they said. "There was an intention to expand the NDF panel with a third member, and Salas would have been it."

Defense Minister Juan Ponce Enrile appeared to rule out releasing Mr. Salas.

"I must say in all candor we will raise an objection," he said.

Officials close to Mrs. Aquino said the arrest had been a military matter and should not affect the negotiations.

Executive Secretary Joker Arroyo insisted that it had been "just a coincidence" that the arrest came when the two sides appeared close to agreement on a cease-fire.

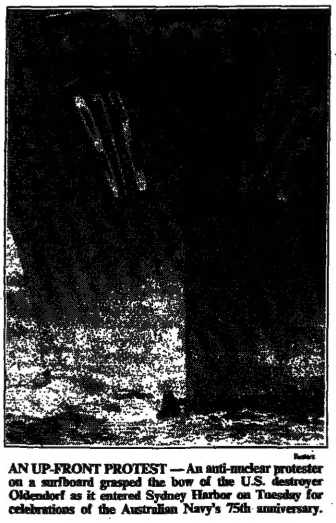
"Those arrested have been identified as leaders," said Mr. Arroyo, who as a human rights lawyer has defended Communist detainees in the past. "They've always been in the order of battle. Due process will strictly be followed, and the procedures described under the law will also be strictly followed."

The Defense Ministry said that Mr. Salas was involved in a 1974 ambush in Bataan in which five American Navy officers were killed. He had been arrested and held for a month in 1973 before escaping, and he is said by leftist sources to have been tortured and to have vowed never to be taken alive again.

The government expressed its disappointment, meanwhile, at the defeat in the U.S. Senate of a $200-million aid appropriation for the Philippines. The Senate voted Monday, 51 to 43, against the aid package, which had been approved by the House immediately after Mrs. Aquino addressed a joint session of Congress on Sept. 18.

Mrs. Aquino was quoted by her press secretary, Teodoro Benigno, as having said that she was disappointed at the defeat but understood that the majority of the Senate had its own priorities "and the Philippines is unfortunately not one of them."

The presidential spokesman, Rene Saguisag, warned that "we will remember those who were with us" when the agreement allowing the United States to maintain two military bases in the Philippines comes up for renewal in 1991.



*Reuters*

AN UP-FRONT PROTEST — An anti-nuclear protester on a surfboard grasped the bow of the U.S. destroyer Oldendorf as it entered Sydney Harbor on Tuesday for celebrations of the Australian Navy's 75th anniversary.

INSIDE



# U.S. Reports Better Trade Balance

## *But Main Gauge of Future Economic Activity Declines*

By Stuart Auerbach
*Washington Post Service*

WASHINGTON — The Reagan administration received mixed economic news Tuesday: the trade picture improved in August, but the composite of leading indicators, the government's main gauge of future economic activity, dropped.

The merchandise trade deficit was estimated at $13.32 billion in August, down from the record July estimate of $18.04 billion. The July figure was revised to a deficit of $16.05 billion, which was still a monthly record high.

The August figure was viewed by the administration as the start of a turnaround after more than four years of a dismal trade performance that has become a major drag on economic growth.

"The sharp improvement from July to August may be the turning point in our trade deficit," Commerce Secretary Malcolm Baldrige said.

Mr. Baldrige attributed the 0.2-percent decline in the Index of Leading Indicators for August, after a 1-percent increase in July, to decreases in net business formation and in prices for sensitive materials, which were reduced by lower government price supports for cotton. July's 1-percent increase was revised slightly downward from an estimated 1.1-percent increase.

The index, a compilation of 11 figures from various areas of the economy, lists stock prices as a positive factor for August, because the sharp decline in the market in September is not included in the August calculations.

Private economists were mixed in their analyses. Jerry Jasinowski, executive vice president and chief economist of the National Association of Manufacturers, said the trade news was a "modestly hopeful sign."

But Stephen Slifer, an economist at Lehman Government Securities Inc., said the July-August merchandise trade deficit was running at an average of $14.7 billion a month, which is $1.2 billion higher than the average trade deficit for the three previous months.

Mr. Jasinowski called the August figures "extremely ambiguous" and said they reflected a "weak economy." The absence of the September drop in stock prices, moreover, "reinforces questions" about the validity of the indicators, he said.

Mr. Baldrige acknowledged a weakness in the industrial sector, whose growth he called "sluggish," but he said the leading indicators for the past four months had risen at an annual rate of 4.7 percent.

The improved trade figures for August suggested to many economists that the trade issue would not be as much as a drag on the economy in the second half of the year as it was in the first six months.

The narrowing of the deficit may also end efforts to pass U.S. trade legislation for the year. Even before Tuesday's figures were released, it appeared unlikely that the Senate would pass a trade bill before going out early next month to campaign.

Even including the August fig-

See TRADE, Page 19

# *House Overrides Reagan On Pretoria Sanctions*

By Edward Walsh
*Washington Post Service*

WASHINGTON — The House of Representatives has voted to override President Ronald Reagan's veto of legislation that would impose new economic sanctions against South Africa.

The vote Monday was 313-83, or 49 more than the two-thirds necessary to override a veto.

Earlier Monday, in a maneuver to persuade the Republican-controlled Senate to sustain his veto, Mr. Reagan offered to impose some of the same measures against Pretoria by executive order.

Supporters of the sanctions bill predicted, however, that the executive order would fail to deter the Senate from overriding the veto. The Senate passed the sanctions bill in August by a 84-14 vote. It is expected to vote on the override this week.

[Secretary of State George P. Shultz told Republican senators Tuesday that a vote to override the veto would undercut Mr. Reagan's ability to negotiate with the Soviet leader, Mikhail S. Gorbachev, The Associated Press reported.

[Senator Charles E. Grassley, Iowa Republican, one of the participants in the meeting with

See VETO, Page 2

# Clampdowns in Parts of Asia Found to Curb Press Freedom

By Alex S. Jones
*New York Times Service*

NEW YORK — Malaysia's three-month ban on distribution of The Asian Wall Street Journal and the expulsion of the newspaper's two reporters are part of a disquieting trend toward diminished press freedom in several parts of Asia, according to journalists and experts on the region.

"The climate for press freedom in the whole region has deteriorated" in recent months, according to Leonard R. Sussman, executive director of Freedom House, an independent organization here that monitors human rights issues.

Malaysia announced the ban on Friday, two days after Prime Minister Mahathir bin Mohamad left for a tour of the United States, where he is expected to announce new incentives aimed at attracting foreign investment to bolster Malaysia's faltering economy.

In the last two years Malaysia, Singapore and Indonesia have increasingly turned to expelling foreign journalists and delaying or stopping delivery of foreign news publications.

The tactics seem intended to prevent the domestic population from reading articles in the foreign news publications that could embarrass the governments. The publications have become increasingly important to the domestic readers, who cannot get much of the information elsewhere.

All three nations, which have elected governments that function with little opposition, have an array of laws and other means to ensure that domestic news organizations are not aggressive. In Malaysia, the largest English-language daily is owned by an arm of the ruling political party.

The Asian Wall Street Journal distributes 2,200 copies in Malaysia, which represents about 7 percent of its total circulation.

The paper has published articles in recent months that focused on cronyism in Malaysian banking and mismanagement in economic affairs. For instance, a week ago it described Malaysia's disastrous effort to corner the tin market in 1982 and was critical of the nation's economic policy for creating barriers to foreign investment.

Malaysia, like Singapore, Indonesia and many other developing nations, is highly sensitive to reports that government officials say can tarnish the national image. Falling commodity prices and other economic problems in recent years have increased the sensitivity.

"Malaysians never interfere in the affairs of other countries, and we expect foreigners not to interfere in our affairs," said Deputy Prime Minister Ghafar Baba after the announcement of the ban and expulsion. He added, "We want accurate reports, and those that can help to maintain the peace, which will convince foreign investors to invest in this country."

In protesting actions as a breach of fundamental press freedom, some journalistic organizations took particular note of the possible economic repercussions to Malaysia.

In a cable to Prime Minister Mahathir, the American Society of Newspaper Editors said that the actions "can cause North American business leaders to believe Malaysia will take an arbitrary approach to freedom of business news and information, and, indeed, toward freedom of enterprise."

Since 1984 Indonesia has refused to renew visas for five journalists and has expelled three others, according to the Committee to Protect Journalists.

In January, a Singapore court fined The Asian Wall Street Journal $7,500 for contempt of court because of an editorial critical of the judiciary. In March, a Reuters correspondent was expelled after reporting that rescue workers had sought money from people injured in a hotel collapse.

In Malaysia this year two journalists, one domestic and one a reporter for the Far Eastern Economic Review, were fined for violation of the Official Secrets Act, and a change in the law has been proposed that would require a jail sentence for publication of government documents deemed secret.



HELP FOR SUDANESE — A boy being given a checkup by a Swiss nurse in a camp at Narus near the Kenya border. In Khartoum, relief teams said they will fly relief supplies to southern Sudan Wednesday, despite a threat by rebels to shoot down aircraft.

Reuters

# Reagan Chooses a Black As Envoy to South Africa

*United Press International*

WASHINGTON — The White House announced Tuesday that President Ronald Reagan would nominate a black Foreign Service officer, Edward J. Perkins, to be ambassador to South Africa.

Although there was no formal comment from Mr. Reagan, the long-awaited announcement came as the Senate was preparing to debate whether to override his veto of new economic sanctions on the white-minority regime.

Mr. Perkins, the U.S. ambassador to Liberia, was the third black asked to take the sensitive post to succeed the retiring ambassador, Herman W. Nickel, who is white.

Previously, a North Carolina businessman, Robert J. Brown, had been in line for the job, but he turned it down after questions were raised about his business dealings while a member of the Nixon administration.

Then the U.S. ambassador to Denmark, Terence A. Todman, made it be known that he was not interested in the appointment.

Mr. Perkins, 58, has been a Foreign Service officer for 28 years. He served in Taiwan, Thailand and Ghana and at the State Department before becoming deputy chief of mission at the U.S. Embassy in Liberia in 1981 and ambassador in 1985.

In an effort to soothe fears of congressional critics that Mr. Reagan had sent the wrong message to South Africa by vetoing the sanctions, he was expected to follow up the nomination of Mr. Perkins by proposing as much as $500 million in aid to neighboring countries that could suffer economic retaliation from the Pretoria regime.

# Blood Test To Detect AIDS Virus Is Devised

By Nell Henderson
*Washington Post Service*

WASHINGTON — A biotechnology company in Maryland has announced the development of a blood test that detects the AIDS virus, rather than just exposure to AIDS, and it will soon offer the test to scientists for research purposes.

Officials at Oncor Inc. in Gaithersburg, Maryland, said Monday that the test uses genetic material to identify the presence of the virus.

Stephen Turner, president of Oncor, said the test would not be marketed as a method for screening blood. Instead, it will be used to determine either whether a person with AIDS antibodies is also infected with the virus or whether the virus is being carried by someone who does not test positively for antibodies.

Current tests detect whether antibodies have been produced by the body's immune system to fight the virus. The new method would improve the speed and accuracy of diagnosing the disease, acquired immune deficiency syndrome, officials said.

The new tests, called "genetic probes," would provide a way of double-checking the antibody tests, which can yield false or misleading results. The antibody tests may indicate the presence of antibodies in people who do not actually have the virus, or it may fail to detect the virus in AIDS carriers who do not produce antibodies.

Genetic probes use fragments of an organism's or virus's genetic material to determine whether they match up with corresponding material from a previously identified organism, such as the AIDS virus.

Because genetic material from any organism will link up only with another genetic sample that has a corresponding sequence of biochemicals, the test is highly accurate.

If the genetic sample from a suspected AIDS victim links up with an AIDS virus probe, that indicates that the person is carrying the fatal disease.

Mr. Turner said that Oncor was ahead of other companies that are developing similar tests. It plans to begin offering laboratory services using the new AIDS test to scientists for research purposes within 30 days, he said.

The U.S. Food and Drug Administration must approve a diagnostic test before it can be used widely by doctors treating the public. Oncor hopes to receive such approval in six to nine months, Mr. Turner said.

Enzo Biochem of New York has developed a gene probe test that is being tested clinically and is being provided free to researchers who use the tests on blood samples gathered in studies. Cetus Corp. of Emeryville, California, is developing a gene probe test and expects to market it next year.

Oncor is awaiting permission from the state of Maryland to use its new process to test blood samples that are sent to its labs in Gaithersburg.

The service could be used to confirm the results of tests showing that a patient has AIDS antibodies. It could also be used to test for the presence of the virus in other people who do not test positively for the antibodies but are believed to have been exposed to the virus.

The test would cost $200 to $300 per patient, Mr. Turner said. The company hopes eventually to produce the test in a much less expensive form that could be sold first to researchers and later to physicians.

# WORLD BRIEFS

## Peres Sets Oct. 10 for Resignation

HADERA, Israel (Reuters) — Prime Minister Shimon Peres said Tuesday that he would resign on Oct. 10 so that Foreign Minister Yitzhak Shamir could form a new government under their 1984 power-sharing agreement.

It was the first time that Mr. Peres has publicly set a date for his resignation. Under the agreement he had until Oct. 14.

Mr. Peres, of the Labor Party, and Mr. Shamir, leader of the rightist Likud bloc, will trade jobs under the arrangement for a four-year coalition that they signed after the inconclusive national elections in 1984.

## Senate Adopts Broad Anti-Drug Bill

WASHINGTON (UPI) — The Senate, on a 97-2 vote, adopted on Tuesday a sweeping bill to combat illegal drugs, including a strengthened enforcement program that would use the military.

Approval of the Senate bill, and House approval on Sept. 11 of a similar measure, virtually assured that some anti-drug bill would find its way to President Ronald Reagan's desk before the 99th Congress adjourns in November.

The two bills differ in specific provisions, but both propose a broad approach that would increase funding for enforcement, education, rehabilitation and crop eradication, while withholding U.S. aid from recalcitrant producer countries. The House bill authorizes $6.1 billion through the 1991 fiscal year, and the Senate bill $3.2 billion through the same period.

## House Backs Emergency Spending

WASHINGTON (UPI) — The House of Representatives on Tuesday hurriedly approved and sent to the Senate an emergency spending bill to prevent the shutdown of government agencies after midnight.

The Senate was expected to take up the bill Tuesday night. The legislation, which passed the House 315-101, provides enough money to last through Oct. 8. The 1986 fiscal year was to end at midnight Tuesday, and without extra money, federal agencies would have to shut down.

The emergency legislation was necessary because numerous and varied obstacles stood in the way of Senate completion of a record $556-billion overall spending bill, which would finance nearly every aspect of the government for the 1987 fiscal year. The House approved its version of the long-term spending bill earlier. Numerous differences between the two versions remain to be reconciled.

## Cambodia to Open Up to Tourists

*Reuters*

BANGKOK — Cambodia will open the Angkor Wat temples and the Museum of Genocide to international tourists in December, a Thai tourism agency said Tuesday.

Phnom Penh and Hanoi gave Thai and Australian promoters their approval last week for 13 eight-day tours to so[illegible] Vietnam and Cambodia, according to the manager of Diethe[illegible] Travel, Chaladol Ussamarn. Orbitours of Sydney, which arran[illegible] them, said they would cost $1,310.

Among the Cambodian attractions of the tours, which will begin and end in Ho Chi Minh City in southern Vietnam, will be the old Royal Palace, classical Khmer dance, the National Museum and the 800-year-old Angkor Wat temples in the northwest.

A grim side trip to the Toul Sleng Museum of Genocide, the high school where the Khmer Rouge allegedly killed tens of thousands of men, women and children, is optional, Mr. Chaladol said.

Holders of U.S., Chinese, Taiwan, Israeli, South Korean and South African passports are banned from taking part. Journalists other than travel writers are also banned. The first tour has been set for Dec. 4.

## Vietnam Holds POWs, U.S. Panel Says

WASHINGTON (NYT) — A Pentagon panel, after a five-month review of intelligence files, has concluded that U.S. prisoners of war are still alive in Southeast Asia.

The head of the group, Lieutenant General Eugene F. Tighe Jr., a former director of the Defense Intelligence Agency, said in an interview Monday that "a large volume of evidence points" to the likelihood that Americans are being held by the Vietnamese government. He said he doubted that the evidence was strong enough to give the United States added leverage to win the release of any prisoners. He suggested that Vietnam might accept war reparations in return for the Americans.

## For the Record

**U.S. Navy warships will call** at the Chinese port of Qingdao in October, the first port call in China by the U.S. fleet in 36 years, the Chinese defense minister, Zhang Aiping, said Tuesday. (AFP)

**Djibouti has restored full diplomatic relations** with Egypt after a seven-year break over Egypt's signing of the Camp David accords with Israel. Foreign Minister Moumin Bahdon Farah said Tuesday that the move would "give a new impetus to the search for Arab unity." (AP)

**Vanuatu, the South Pacific nation** of about 70 islands, established diplomatic ties with the United States on Tuesday, the government said. (AP)

**King Hassan II of Morocco named Azeddine Laraki** prime minister Tuesday to succeed Karim Lamrani, whose resignation for health reasons was announced Monday. Mr. Laraki had been deputy prime minister and minister of education. (AP)

**A restriction on the entry of foreigners** into the Indian state of Punjab was extended Tuesday until Jan. 2, 1987, a statement from the Home Ministry said. The order was imposed on the eve of the June 1984 assault on the Golden Temple, the holiest Sikh shrine, in Amritsar, India. Under it, foreigners can travel to Punjab if they obtain a special permit from the ministry. (AP)

# VETO: *House Overrides Reagan on Pretoria Sanctions*

(Continued from page 1)

Shultz, said that he did not think the argument has much weight because the United States has relations with 172 nations, and "our policy toward South Africa should not be a driving force" in talks with the Soviet Union.

"I don't think he found too sympathetic an ear from the nine to 10 of us who were present," Senator Grassley said.]

The chairman of the Senate Foreign Relations Committee, Richard G. Lugar, a Republican of Indiana, the chief architect of the bill, said failure to override the veto would be seen by South Africa as a victory and cast the United States in the role of "apologists for apartheid."

"The foreign policy issue is not just the number of sanctions imposed on South Africa," Senator Lugar said.

"To argue that there are Republican sanctions, imposed by the president, as opposed to bipartisan congressional sanctions, weakens American foreign policy."

Mr. Reagan, repeating a maneuver that succeeded last year in heading off congressional enactment of sanctions, offered the executive order compromise in a letter to the Senate majority leader, Bob Dole, a Republican of Kansas, and the Speaker of the House, Thomas P. O'Neill Jr., a Democrat of Massachusetts.

If his veto was sustained, the president said, he would ban the import of South African iron and steel, prohibit South Africa and its agencies from holding U.S. bank accounts and provide $25 million in aid to disadvantaged South Africans.

These provisions are contained in the sanctions legislation, which also includes a number of other steps that Mr. Reagan ignored.

The bill would ban the import of uranium, coal, textiles, and agricultural products from South Africa, sever the U.S. landing rights of South African Airways and prohibit U.S. government agencies from buying goods and services from South Africa or assisting trade efforts with South Africa.

A key section of the bill would ban all new U.S. loans, investments or other extensions of credit in South Africa. Mr. Reagan also offered to ban new investments in South Africa, except for investments in black-owned companies or companies that adhere to nondiscriminatory employment and housing practices.

# TAXES: *Measure Would Stiffen Curbs on Avoidance*

(Continued from page 1)

measure to take effect by the end of 1987, officials said.

The strongest government opposition to the treaty has come from Switzerland, Luxembourg and Liechtenstein.

Those nations contend that the convention "is far removed from their concept of international cooperation in the fiscal field," according to a background paper published by the Council of Europe that, like the draft, was classified.

Also mounting strenuous opposition is a coalition of multinational corporations, banking associations and the Paris-based International Chamber of Commerce, which represents 7,800 companies and employer associations in 107 countries.

"We need this like we need a hole in the head," said Wolfgang Ritter, chairman of the chamber's Commission on Taxation and chief legal counsel of BASF AG, the West German chemicals group.

Writing in the current issue of the organization's magazine, ICC Business World, Mr. Ritter described little of what was in the draft, but said, "This new project threatens to so overburden and restrict international business as to cause it serious damage."

"Institutionalized transborder cooperation between tax authorities," he wrote, "will lead to a situation where multinational companies are invariably seen as potential tax evaders and thus, criminalized."

He continued that "legal safeguards, such as preliminary hearings, the prohibition of house searches, or effective business secrecy are virtually lacking" from the proposal.

Several governments, notably Switzerland, are expected to abstain from signing the convention even if approved by the council and the OECD. Thus they would not be bound by its provisions.

"Keep in mind that the political decisions on whether to go ahead with the implementation of the draft have not yet been made by Europe and the United States," said a senior West European official who helped draft the convention and requested anonymity.

"But we believe the momentum is there for approval," he said.

Stephen E. Shay, international tax counsel of the U.S. Treasury Department, endorsed the convention in a telephone interview from Washington. He said that the United States has bilateral tax cooperation treaties with 35 countries and said the new effort "would greatly enhance" multilateral cooperation.

But he also said the Reagan administration had not yet decided how it would vote in the OECD, pending what he termed "a full review of all its legal and constitutional implications."

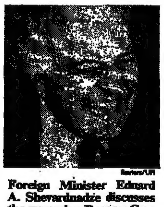
Another senior Treasury official said: "A lot of the opposition from the Western European business community is pure hogwash. This convention would do a very key thing, namely, throwing the collection net far wider, and that is why they are so nervous."

A senior official at the Council of Europe in Strasbourg said: "We are not creating a new Interpol specialized in tax matters. Most European governments are determined to provide new incentives to Western governments to cooperate more in combating tax avoidance and evasion and that what is involved here."

## Brazilian Archbishop Is Ill

*Reuters*

RIO DE JANEIRO — Archbishop Avelar Brandão Vilela, 74, the Roman Catholic primate of Brazil, announced Monday that he was seriously ill with stomach cancer.



Reuters/UPI

Foreign Minister Eduard A. Shevardnadze discusses the upcoming Reagan-Gorbachev meeting in Iceland.

# MEETING: *Iceland Chosen*

(Continued from page 1)

whether it is useful to argue whether it is an exchange or not an exchange.

"The important thing," he said, "is that we have found a solution."

Mr. Shultz also announced that the Russians had agreed to allow Yuri F. Orlov, a prominent Soviet dissident, and his wife, Irina, to leave for the United States by Oct. 7, four days before the meeting in Iceland.

Explaining why the Soviet Union favored Iceland for the meeting of the two leaders, the foreign minister said Mr. Gorbachev "believes that what is needed is a meeting in a businesslike, working atmosphere without advertising and so on."

Reykjavik, the capital, "is a small, quiet city very favorable for working and achieving results," he said. He added, to laughter, that "you have a very big air force base there so we feel very secure."

On Monday, Mr. Reagan said the Russians "blinked" in the confrontation over Mr. Daniloff. Asked Tuesday whether he still felt that way, the president conceded, "I shouldn't have said that."

# DANILOFF: *Alleged Soviet Spy Is Told to Leave U.S.*

(Continued from page 1)

cy announced the release of Mr. Zakharov, the departure of Mr. Daniloff and the meeting in Iceland in three separate dispatches in the space of six minutes. The agency did not explain any link between the issues.

Mr. Zakharov, 39, entered the courtroom of a U.S. federal judge, John McLaughlin, smiling after attending a 90-minute closed session with the judge and lawyers.

His lawyer, Martin Popper, told the judge: "The defendant enters a plea of *nolo contendere* on all counts."

The prosecutor, Andrew Maloney, immediately said the government had no objections and that the plea had been arranged through negotiations. The plea, one of no contest, means that the defendant does not admit his guilt.

Mr. Zakharov had been charged with receiving secrets from a Guyanese acquaintance who was an undercover agent for the U.S. Federal Bureau of Investigation.

U.S. officials said that Mr. Zakharov's arrest on Aug. 23 led a week later to the arrest in Moscow of Mr. Daniloff.

Mr. McLaughlin sentenced Mr. Zakharov to five years' probation on the spy charges and ordered that he leave the country within 24 hours and not return until his probation period was over.

Asked how he felt as he left the courtroom, Mr. Zakharov broke into a wide smile and said in slightly accented English, "Great."

During the 10-minute proceedings, Mr. Zakharov appeared to have difficulty containing his smile. His only comment was an emphatic "yes" when asked if he had fully understood the proceedings conducted in the judge's chambers.

In Washington, Mr. Shultz said Mr. Orlov, 62, a founder of the Helsinki Monitoring Group in the Soviet Union who was arrested in 1977, would be released by Oct. 7 and would come to the United States.

Mr. Shultz did not directly link the decision to free Mr. Orlov to the agreement to release Mr. Daniloff and Mr. Zakharov.

But he said he was informed of the decision during lengthy meetings with Eduard A. Shevardnadze, the Soviet foreign minister, this month.

U.S. officials had insisted that Mr. Daniloff was arrested on "trumped-up charges" by Moscow to arrange a trade for Mr. Zakharov. But they said repeatedly that there would be no direct trade.

Mr. Orlov, a physicist who headed the Soviet human rights monitoring group, was sentenced in 1978 to seven years in a labor camp and five years of internal exile for anti-Soviet activity.

Since 1984, he has been living in exile in a remote Siberian village.

Mr. Shultz also said the United States was willing to listen to Soviet complaints about some of the 25 members of the Soviet UN mission who would due to be expelled by midnight Tuesday under a decision announced in Washington last week.

But he said Washington still expected 25 members of the mission, who Mr. Shultz charged were involved in spying, to leave the United States.



DEATH NOTICE

Mrs. Georges Trunel and family regret to announce the death of

Mr. Georges TRUNEL

on Monday, September 29, 1986 at Fraisse-Cabardès, 11600 Conques-sur-Orbiel. A memorial service will be celebrated on Thursday, October 9, 1986 at the American Cathedral of Paris, 23 Avenue George-V, 75008 Paris, at 11 o'clock in the morning. Neither flowers or wreaths; but in memory of his dedication to the fight against drug abuse, donations may be addressed to l'Association de Soutien de l'Institution Le Patriarche, 20 Rue Blaise, 75020 Paris.

# AMERICAN TOPICS

## Discontent Growing In Foreign Service

A little-noticed survey of Foreign Service officers reflects growing evidence of discontent, The New York Times reports.

Career officers have long complained about stagnating opportunities for advancement, the shift of diplomatic policy-making from the State Department to the White House and a concomitant reluctance of professionals to challenge what they see as political decisions. For the most part, dissatisfaction has been limited to intramural mutterings or newspaper commentaries by newly retired officers who at last can speak their minds.

The survey was conducted by The Foreign Service Journal, the publication of the American Foreign Service Association, an organization of professional diplomats.

Among 226 respondents to a questionnaire, only 14 percent said they would advise new entrants to view the Foreign Service as a lifetime career. For themselves, just over 28 percent saw the service as "a lifetime commitment," 55 percent viewed it as a long-term job to be followed by another and 16 percent saw it either as a limited career or as "an experiment."

## Short Takes

**The American Cancer Society** recommends mammograms every year or two for women over 40 and annually after 50. But a Gallup Poll shows that 82 percent of women over 40 use mammography much less often, if at all, despite compelling evidence that it is the single best detector of breast cancer. The cost, averaging $125, is a major barrier, and so is the fact that health insurance plans rarely cover mammograms. Bills are before Congress and state legislatures to make such coverage available.

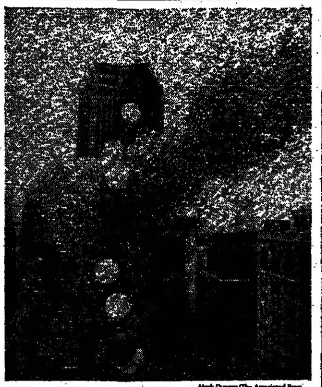
**Walt Disney World** in Orlando, Florida, has been sued for $3 million by Paula Makopoulos of East Hanover, New Jersey, who says a drunken person in a Mickey Mouse suit attacked her 4-year-old son, Evan, in the amusement park, hurling him against an iron railing after he grabbed Mickey's tail outside Cinderella's Castle. Her attorney said the boy required psychotherapy because of the incident and also suffered a cut on his back.

**Appliance magazine** reports that 99.9 percent of American homes have electric refrigerators, 92 percent have color television sets, 70 percent automatic washing machines, 50 percent electric dryers and 33 percent video cassette recorders — all of which were either invented or perfected in the past 50 years.

**Lieutenant Governor David Leroy**, the Republican candidate for governor of Idaho, already was trailing the popular former governor, Cecil D. Andrus, by a 2-1 margin. Now it turns out that while Mr. Andrus, a Democrat, is an avid hunter and fisherman, Mr. Leroy abstains from both these activities in one of the most outdoors-oriented states in the union. A sportsmen's political action committee has put out advertisements stating: "David Leroy is not and never has been a sportsman. *He has never owned a hunting license.*" Many Idahoans say this could well mean the coup de grace for Mr. Leroy's campaign.

**Television's "Dallas"** has brought Bobby Ewing, played by Patrick Duffy, back to life. After Mr. Duffy left the show a year ago, the scriptwriters had his character fatally run down by a car. But a $1 million bonus brought Mr. Duffy back to the show. Bobby's death, and everything that happened in the series during the past year, was all a bad dream, *he explains to his* wife, Pamela (played by Victoria Principal), when she wakes up. "None of that happened," he says firmly. CBS said that of the 40 million people who watched the program, about 150 phoned in to complain about the plot twist.

—ARTHUR HIGBEE



Mark Duncan/The Associated Press

**INFLATED EVENT — More than 1.5 million helium-filled balloons rose Saturday from Cleveland's main square in what organizers said was a world record. The event inaugurated the yearly United Way charity appeal.**

# TV Evangelists, Viewers Begin Rallyin_ to Robertson

By Dudley Clendinen

*New York Times Service*

ATLANTA — The Reverend Pat Robertson's fellow Pentecostal and charismatic evangelists are stirring to his unofficial quest for the Republican nomination for the presidency, bound by a common theology and a growing sense that their number is great and their time and leader have come.

"When he said he felt led of God to do it, I had no alternative but to support him," said the Reverend Jimmy Swaggart of Baton Rouge, Louisiana, last week. Mr. Swaggart gave Mr. Robertson a passionate public endorsement after a private conversation.

Mr. Robertson is drawing upon a belief shared by Pentecostals and charismatics that it is possible to know the will of God and to be led by it. In that sense, the television audiences of his fellow evangelists are pools rich in potential votes.

Mr. Robertson is the founder of the Christian Broadcasting Network and a regular commentator on its 700 Club.

It is not just in his own audience, however, but in a great common sea of tens of millions of evangelical viewers that Mr. Robertson's special opportunity lies. And in response to what is clearly his strategy, those preachers and their followers are beginning to flow to him.

It is a quickening that the Reverend Jerry Falwell, who is supporting Vice President George Bush, described as the beginning of "a mighty army."

"It could be the biggest army to come down the road since Clean Gene's Machine," said Jeffrey K. Hadden, professor of sociology at the University of Virginia and author of the book "Prime Time Preachers."

Mr. Hadden was referring to the college students opposed to the war in Vietnam who carried Senator Eugene J. McCarthy of Minnesota into the Democratic presidential nomination process in 1968.

There is no certainty that what Mr. Robertson is attempting can be done.

No preacher has ever tried to summon this latent religious army to his own political cause. Preachers interviewed agreed that Mr. Robertson might find it harder to sell himself to evangelicals who do not believe it is possible to personally know God's will.

But in the last two weeks Mr. Robertson has persuaded two Pentecostal evangelists, Mr. Swaggart of Louisiana and Oral Roberts of Oklahoma, to give him emotional public endorsements.

The evangelist Rex Humbard sat on stage with him at Constitution Hall in Washington last week as Mr. Robertson announced to a national audience on a satellite telecast that three million signatures on a petition would persuade him to declare his candidacy.

Jim Bakker of North Carolina, another evangelist, said, "I would have no problems standing with him. My feeling is that our viewers would welcome his candidacy."

Mr. Bakker's spokesman, Neil Eskelin, said that in the growing battle for the evangelical vote, "Both George Bush and Pat Robertson have been here to talk privately with Bakker in recent months."

But Mr. Eskelin said it really would not matter whether Mr. Bakker threw in his lot with Mr. Robertson or not.

"There's no question that Jim Bakker's television audience would vote overwhelmingly for Pat Robertson, even if Jim Bakker were to endorse someone else," Mr. Eskelin said. Close aides and spokesmen for other evangelists made the same point.

Mr. Robertson, an ordained Southern Baptist minister, is a charismatic. While other evangelicals also believe that the Bible is true and that one must be "reborn" to experience salvation, Pentecostal churches, such as the Assemblies of God, and charismatic Christians of any denomination share an additional theology.

It is a belief in the "gifts" of the spirit: the abilities to heal and work other miracles through faith, to speak in tongues and to discern the will of God. Those beliefs have historically tended to set their adherents apart from the secular world.

In a union between Mr. Robertson and the audiences of his brother evangelists, which tend to be geographically and socioeconomically different, lies an unrealized potential of 20 million to 30 million people.

That is what makes Richard D. Minard, a former regional director of the Republican National Committee, so enthusiastic about the potential Robertson candidacy, which he said "could make the GOP a majority party."

The respect that gives Mr. Robertson such a special advantage is reflected in the results of a survey of audience size that Mr. Robertson commissioned A.C. Nielsen Co. to conduct last year.

In the last three decades, Christian television has grown from small beginnings to become a huge and complex phenomenon of incalculable influence.

The best numbers so far were produced by the Nielsen survey, according to Mr. Hadden, who persuaded Mr. Robertson to share the results with academics. The survey, conducted in February 1985, showed that of the top 10 television evangelists, Mr. Robertson's 700 Club was drawing the largest audience.

The 10 evangelists were drawing an estimated average monthly audience of 34 million, Mr. Hadden said. But perhaps more important was the fact that 7 of the 10 evangelists were Pentecostals.

Only one, Mr. Falwell, was a fundamentalist. It is that configuration that gives Robertson his peculiar and powerful appeal to the evangelical television audience, Mr. Falwell said.

"Pat will have the inside track," Mr. Falwell said. "He will have the pole position going out."

Because of the common cultural and religious values they share, Mr. Falwell said, Mr. Robertson will also exert a powerful pull on non-charismatic fundamentalists.

# For Democrats, Senate Kitty Is Short

By Thomas B. Edsall

*Washington Post Service*

WASHINGTON — With five weeks to go until national elections, the Democratic Senatorial Campaign Committee faces a series of brutal decisions on how to distribute cash to a handful of Democratic candidates with only marginal chances of winning.

Desperate for money, Democratic candidates in states as diverse as Georgia, Wisconsin, Alaska, North Carolina and Pennsylvania face Republicans with ample funds who are flooding the air waves with commercials and the mails with targeted messages.

"We've known all along that we've got hard decisions to make," said David E. Johnson, the executive director of the Democratic committee.

In contrast to the National Republican Senatorial Committee, which has so much money that it must search for ways to spend it, the Democratic committee has about $5 million to cover competitive races to which, under law, it could give a maximum of just over $8 million.

"The problem," said one consultant, "is figuring out who is going to be forced to swallow the $3-million shortfall. This is not a process that brings out the best in people."

In some southern races, for example, Democratic campaigners are half-hoping that others will falter so the committee will be more inclined to "max out," or give them the maximum allowed.

The committee has made commitments of roughly $3.5 million, and some of the decisions are being privately criticized by those who have not yet benefited fully.

The amount the committee can give to a candidate varies according to state population, ranging from a low of $104,740 in such states as Alaska and Idaho to a high of $1,720,861 in California.

The Democratic committee has already given the maximum, or is prepared to, to candidates in a number of contests, most of them in small states where the cost is not prohibitive. These states include Nevada, Maryland, Missouri, Louisiana, North Dakota, South Dakota, Washington and Idaho.

Complaints have been voiced about the California contest. The Democratic committee has not provided the maximum there, but it has given $600,000 to Senator Alan Cranston even though he has had great success raising money and holds a wide lead over his Republican challenger, Representative Ed Zschau.

In three races, the committee has provided significant contributions to Democratic candidates and is expected to provide more money before Nov. 4.

These races are in North Carolina, where former Governor Terry Sanford has received $167,500 in his fight against his Republican challenger, Representative James T. Broyhill; Oklahoma, where Representative James R. Jones has received $132,500 in his bid to unseat Senator Don Nickles; and Colorado, where Representative Timothy E. Wirth has received $167,500 to boost his campaign against Representative Ken Kramer.

The maximum contribution allowed the committee in Oklahoma and Colorado is $224,870; in North Carolina it is $424,562.

Mr. Johnson, the executive director, said that as new poll results and campaign committee funds came in, the committee would make further decisions on funding.

This problem does not exist for the Republican campaign committee.

"We have the capacity to max out in all Senate races," said David Narsavage, the spokesman for the Republican committee.

# Pentagon Calls 5th Test of Anti-Satellite Missile a Success

*The Associated Press*

WASHINGTON — The United States conducted its fifth test of a satellite-killing rocket over the Pacific Ocean near California on Tuesday, and the Pentagon called the test a success.

The test involved an experiment with the missile's guidance system, and the rocket was not fired against an actual object in space but "used the energy source of a distant star as the 'target,'" the Pentagon said.

It therefore complied with a congressional ban on such space tests, officials said.

The anti-satellite, or ASAT, missile was launched from an F-15 fighter based at the Vandenberg Air Force Base in California, Pentagon officials said.

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

# National Foreign Policy

Stung by Congress on foreign issues twice in a week, President Reagan has twice threatened to shoot back and has already done so once. Yet this week he may suffer startling defeat as Congress votes to override. Who's in charge here?

Congress has long been a useful barometer of public opinion. On domestic issues, when it has found a presidential policy lacking popular support, Congress has not been shy about opposing it. What is striking now is that it has mustered an unusually strong fight on less familiar turf.

Voting sanctions against South Africa challenges presidential primacy on foreign policy; threatening a test ban moratorium challenges it on security. Mr. Reagan may regard all this as unconscionable meddling in executive duties. A more detached perspective sees, instead, a healthy maturation of the legislature's ability to do its duties.

The Constitution invited such battles when it made the president and Congress partners in foreign policy. Congress was long a deferential partner, but as America's role overseas grew in this century, that began to change; congressional involvement in shaping the overseas role grew with it. So, gradually, did the intertwining of domestic and foreign. Who can differentiate between the two on agriculture, trade, human rights or military spending?

Then Vietnam brought reverberating change. Congress learned what two presidents did not: Overseas, as at home, a policy without public support cannot work. One result, the War Powers Act, passed over a presidential veto. It was the most visible sign of Congress assuming the role of containing the imperial presidency.

By the time Mr. Reagan came to office, the national mood had changed again. He sent the unmistakable message: No one is going to push America around. That forceful stance did not always translate smoothly into the details of day-to-day policy. But Mr. Reagan, with his bully pulpit and a few special commissions, built enough of a consensus to keep Congress largely on his side.

Except, as the months passed, for South Africa and arms control. President Reagan has not been able to assemble a sufficient following for his pallid condemnation of apartheid; he drags lamely far behind other leaders of his own party. Nor has he persuaded a worried public of his commitment to control the arms race.

The congressional role does not come easily, nor should it. The president rightly bears the responsibility for coordinating and calibrating an intricate array of relations and policies. As Congress has shown in its intramural fights over chemical weapons, adherence to existing arms treaties and a ban on nuclear testing, its foreign policy-making methods are unwieldy. But when the policies of the executive outreach or lag too far behind the public will, it is the duty of Congress to speak up.

One need not agree with congressional positions in every particular, or at all. Congress can be wrong, just as the public can be wrong. Presidents can be brave, and lonely.

But the test is not who has the right to speak for America. It is, in the best sense, political. There comes a time when the public says "Hell no, we won't go"; says it wants arms control; expresses its disgust with the saviors of apartheid. At such a time, a president can resist, denouncing Congress for meddling. Or he can lead.

— *THE NEW YORK TIMES.*

# The Danger in Seoul

South Korea is threatened by Communist armies of the North and by a protectionism that could suffocate its export economy. Yet its rulers focus on what they seem to regard as an even larger threat: a democratic election. Their preventing of one may be the greatest danger.

Since its liberation from Japanese colonialism and its war against the North, South Korea has never known a peaceful, let alone democratic, leadership transition. The current president, Chun Doo Hwan, came to power by a military takeover only months after the assassination of an earlier strongman. Mr. Chun eventually legitimized his rule with a new constitution that provides for choosing a president through a large, controllable electoral college.

Meanwhile, South Korea's booming economy has liberated powerful new social forces. A growing urban population no longer passively accepts a self-perpetuating regime based in the military. Its yearnings have erupted in a series of demonstrations this year demanding direct election of the next president. The protest cooled only after the Chun regime agreed to negotiate about constitutional changes. But those negotiations now seem close to breaking off.

Leaders of the ruling Democratic Justice Party cite the street demonstrations as a reason to delay direct elections. "A nationwide election could mean mass campaign rallies, which radicals could use to disrupt the election," argues one of the president's key lieutenants. These anxieties sound self-serving. Retention of anything like the present electoral system virtually guarantees Mr. Chun the chance to manage the selection of his successor; more direct elections would permit an opposition victory. But this deadlock is itself the source of widespread dissatisfaction and unrest.

The way to disarm South Korea's radicals is to give the responsible opposition an orderly path to power. All of South Korea's economic achievements are at risk, as is the good will of Americans who shed their blood in defense of its freedom.

— *THE NEW YORK TIMES.*

# Applaud the Tax Bill

The tax bill should have been passed to the sound of trumpets. What you mostly heard instead was the flutter of faint hearts. Members seeking to distance themselves from the bruises this mighty bill will inflict complained that it will not do things it was never intended to do. The bill does not wipe out the budget deficit, reduce tax burdens, reverse the trade imbalance, restore steel and other hurting industries. It ought to be celebrated for what it does.

The central goal of tax reform has always been to broaden the base of the income tax, allow less income to escape and make fewer distinctions among various kinds of income. Tax it all, reformers said, and you can have greater fairness and lower rates, simultaneously. To a greater degree than the conventional wisdom ever held likely, this bill achieves that double objective.

The legislation moves in the right directions at both ends of the income spectrum. It puts the tax threshold back above the poverty line, reversing a steady increase in the tax burden of the poor and compensating working poor families with children for the Social Security taxes they pay. At the same time it undercuts tax shelters by ruling out the fake losses on which they are based, abolishes the troublesome distinction between ordinary individual income and capital gains, and strengthens the minimum taxes that well-off individuals and profitable corporations both must pay.

The bill is criticized for trading away progressivity of the income tax for a nearly flat rate structure; millionaires will pay the same rate as many in the middle class. Better would be a third rate for the very rich. But the loss of progressivity is greater on paper than in fact. The higher marginal rates for the rich have been as much evaded as paid. The rich will lose about as much in preferences as they gain in rates.

The tax code has been used for years to fine-tune the economy, to shore up an industry here, a company there. The bill is a step in the opposite direction. Some say this is the wrong time to abandon generosity, that the weaker sectors of the economy and American business generally need extra help. But it is always the wrong time. Our view is that tax provisions matter less to economic growth than tax legislators and lobbyists suggest. The corporate income tax has been too much depleted over the years.

The tax bill helps the poor, narrows the escape routes of the rich, does away with the systematic deceit that is so much a part of tax shelters, helps to ensure that people and companies with like incomes pay like taxes, tries to provide that in future no flourishing corporation can pay zero taxes, lessens the distorting role of tax considerations in investment decisions and helps restore the balance between corporate and individual taxation. Why apologize?

— *THE WASHINGTON POST.*

# *Other Comment*

## Expand or Shrink Together

Unless America is to be forced into a destabilizing recession, with all that that implies for the rest of the world in terms of reduced exports, then the stronger economies must take up the task of injecting demand into the world, something the United States has been doing almost singlehandedly. West Germany can no longer plead fear of inflation as reason for not expanding, because the annual rate of inflation is actually negative and going down. Will they still be quoting inflation when prices are going down by 5 percent? Nor can Japan plead caution, when it is not only facing negative inflation (any month now) but also sporting a surplus of $68 billion on its trade with the rest of the world.

What is the spirit of the IMF all about — let alone the agreements to take "objective indicators" into account at the Tokyo summit earlier this year — if not to take action when trade balances (or deficits) get too high? The basic request of the Americans — that Europe and Japan expand their economies by more than they are currently planning — needs a quick and positive response.

If countries cannot expand together, they have only themselves to blame if they contract together. There are still 31 million unemployed people in the 24-nation OECD area waiting for an answer to that.

— *The Guardian (London).*

INTERNATIONAL HERALD TRIBUNE
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# OPINION

# *To Salvage UNESCO, Change the Skipper*

**By Julian Behrstock**

PARIS — The 50-nation executive board of UNESCO is currently meeting in Paris to discuss arrangements for election of a director-general in November 1987. One possibility is that the incumbent, Amadou Mahtar M'Bow of Senegal, will be named to a third term.

Mr. M'Bow's official curriculum vitae lists the honors he has collected as director-general: 45 honorary doctorates; three gold medals; 41 decorations; freeman of 10 cities; four honorary professorships plus one "grand tribute" from a fifth university. Listed also are seven books published by UNESCO on its program that are manifestly the collective work of the secretariat but to which Mr. M'Bow affixed his name.

Mr. M'Bow was named to a senior post in the secretariat in 1970, and had a head start on the director-generalship from his previous leadership of the UNESCO Group of 77 developing countries. He was elected director-general by a virtually unanimous vote in November 1974.

A tendency to take punitive action against suspected disloyalty and to insist on docility in his associates was to becloud the whole of Mr. M'Bow's tenure of office and deprive him of the objective counsel that might have spared him some of his worst mistakes. Over the years, half a dozen of the most effective and highest-ranking officials in the secretariat left UNESCO's service, either by dismissal or by inability to tolerate Mr. M'Bow's authoritarian style of leadership.

Media criticism of Mr. M'Bow has been intense. Even such newspapers as the respected Paris daily Le Monde, a longtime faithful supporter of UNESCO, has been moved to engage in a well researched editorial onslaught on virtually every aspect of Mr. M'Bow's management. His excessive travels — Le Monde tallied 209 days of absence from headquarters in one year — were said to have been all the more irresponsible since he was disinclined to delegate interim authority. His staff appointment policy, said Le Monde, was riddled with nepotism and cronyism.

It was after his election to a second term in 1980 that Mr. M'Bow began to veer increasingly in the direction of his power base in the Soviet bloc and the developing countries. His predilections were crucial in determining the shape of UNESCO's program, which, although scrutinized and voted upon by the organization's executive bodies, is usually adopted pretty much as prepared by the director-general and his staff.

In thus tilting the balance, Mr. M'Bow ignored the special role that the director-general ought to play as an international civil servant in trying to ensure that UNESCO serves all mankind.

He has made it known indirectly that he would welcome a third term. If proof were needed, it came in a resolution recently adopted at an African summit conference extolling his "competence, courage, wisdom and sense of responsibility" and calling for his re-election in 1987.

The forces against such an eventuality are considerable. For one thing, the United States and Britain have made it clear that they would not return to UNESCO under Mr. M'Bow's director-generalship. Many member states have regretted the absence of two countries representing almost a third of the budget. Moreover, it is fairly likely that a sizable number of other countries would leave the organization if faced with another M'Bow term of office.

But Mr. M'Bow's chances are enhanced by the UNESCO procedure under which the executive board has the sole responsibility of nominating a director-general for election by the general conferences. Mr. M'Bow has made extensive use of his considerable lobbying powers to secure board members as far as possible favorable to himself.

The next general conference of member states, meeting in Paris at the end of 1987, elects a director-general for six years. In the coming months, their governments may send in candidatures to the chairman of the executive board.

It is squarely up to the international community now to save UNESCO. Re-election of Mr. M'Bow would sharpen the present crisis: additional budget cuts stemming from the departure of other high-paying countries, increasing disaffection among the staff, further decline of credibility in the professional world. A well chosen new director-general, on the other hand, could bring about a regeneration of UNESCO and all that the organization is capable of accomplishing in fostering international cooperation.

*The writer, an American, was a member of the UNESCO secretariat for 28 years until his retirement in 1976. Author of the forthcoming book "Troubled Times at the United Nations," he contributed this comment to the International Herald Tribune.*

# South Africa: For a Tripartite Diplomatic Initiative

**By Richard Lugar and Nancy Landon Kassebaum**

*Senator Lugar, an Indiana Republican, is chairman of the Senate Foreign Relations Committee. Senator Kassebaum, a Kansas Republican, is chairman of the subcommittee on African affairs.*

WASHINGTON — The House of Representatives has voted to override President Reagan's veto of legislation imposing new economic sanctions on South Africa, and the Senate will soon decide whether to do the same. As two senators who have sought to work with the administration on this issue, we believe, regretfully but firmly, that an override is essential to America's long-term foreign interests throughout Africa.

Like many other members of Congress, we share some of the president's reservations about parts of this bill. It is not perfect. However, we are convinced that this legislation provides an important and necessary departure from our policy toward South Africa, based on a bipartisan consensus in both houses of Congress.

We believe it is time to send a blunt message to President P.W. Botha's government. That government has made clear that anything less than the congressional bill would be a victory. No matter how much America might protest, a vote to sustain the president's veto would be seen as support for the South African government's policies. Regardless of what the United States says or how many executive orders are issued, we would be perceived as apologists for apartheid.

We have profound respect for the office of the president and deep personal respect for Ronald Reagan. These beliefs must be secondary, however, to our own commitment to the basic principles that are the very foundation of our democracy, and to the need to uphold those principles wherever they are challenged. We will vote to override the president's veto.

Whatever the outcome, however, we pledge to renew and redouble our efforts to work with the administration on this issue. We believe it is particularly important to focus attention on the next step, both in terms of our policies and in terms of what should be happening in South Africa.

In a sense, the debate over sanctions is a diversion from the real issue that confronts South Africa. Certainly the South African government hopes to make sanctions the primary issue rather than allow attention to focus on its own actions.

By themselves, sanctions, no matter how tough, cannot solve the problems of South Africa. While it is important to seek effective leverage in influencing events there, we must not become preoccupied with meting out punishment to the white minority government. We cannot impose an external solution, and we run a serious risk of total failure if we try.

The real policy goal is to help bring about peaceful change. What we seek are a society and a system that not only are more just in recognizing the rights of the black majority, but offer a more secure and more stable future for all South Africans.

If this transformation is ever to occur in South Africa, we believe it is essential for us to resolve clearly and forcefully the issue of sanctions, which in the short term may have little effect on the status quo, and to focus our efforts on shaping a framework for what must replace apartheid and unilateral white power.

We believe that the United States, Britain and West Germany should assemble a team of special, high-level envoys to begin talks with all groups in South Africa on the future of the nation. The objectives of this diplomatic initiative should be twofold.

First, it should determine whether there is a basis for broad agreement, a loose consensus, on what should follow apartheid. This requires talks with all groups: the government and opposition parties; all black leaders, including Nelson Mandela; all black parties, including those now banned by the government; all other racial groups; the business community.

Second, it should deliberately and openly provide the opportunity for black leaders to join in the political debate about South Africa's future. This can open the way for blacks to select their own leaders for discussions with the government, and can help unify their agenda for such talks.

President Botha has repeatedly said he is willing to join in discussions with black leaders. Unfortunately, he has insisted on controlling the entire process. The result has been that no credible, responsible black leader has been willing to begin such talks.

We in the West must make every effort to provide a forum for the kind of dialogue that must be started in South Africa. It is a crucial first step in moving beyond the present stalemate and focusing attention not on the evils of apartheid, which are plain, or on sanctions, which can be debated forever, but on the true objective: peaceful, political change.

*The Washington Post.*

# Terrorism: For Alliance Against These Murderers

**By Ariel Sharon**

*The writer is Israel's minister of trade and industry.*

JERUSALEM — The pogrom in Istanbul, in which Arab terrorists with automatic weapons mowed down 21 elderly Jews praying in a synagogue, was the gravest incident in Jewish history since the founding of Israel in 1948 — a prime example of the boundless brutality of Palestinian-Arab terrorism. Perhaps for the first time, the shock felt by world opinion matched Israel's own sense of outrage. But outrage is not enough.

All forms of terrorism, local, regional or international, are interconnected. If the civilized world is to prevail, it must fight on all levels.

Today terrorism endangers not only individuals but also the peace of the world. While the superpowers deter each other with nuclear weapons, the Soviet Union uses the terrorist groups that it supports and trains to achieve its goals without major war.

It uses them to destabilize the West by creating permanent turmoil in Western Europe, the Middle East, Africa and Latin America. The Soviet Union is the main weapons supplier to the Palestine Liberation Organization and the other Middle East terrorist organizations, either directly or through Syria and Libya, both active terrorist sponsors. With this, the Soviet Union hopes to broaden its influence and penetrate countries now immune to its subversion.

The terrorist organizations are linked as a Murder International Inc. When Israel expelled the PLO and Yasser Arafat from Lebanon, it found evidence irrefutably confirming what it had already known — that the Soviet-trained and Soviet-armed PLO was connected with almost every terrorist organization in the world, from the Baader-Meinhof gang in West Germany to the Japanese Red Army to terrorist groups in France. These ties still exist.

Against this Murder International, the most dangerous and widespread such network in history, we must establish a Western alliance to fight terrorism. NATO was founded to deter a third world war in the future. The anti-terror alliance I am talking about must fight a war that is being waged in the present — every day.

This alliance, to which every country willing and able to fight terrorism must belong, should be led by the United States. This is warranted not only because America is the greatest power, but also because it is equipped with the best intelligence and logistical capabilities for such a war. The United States has also demonstrated — whether by bombing Tripoli, as it did in April, or by its efforts to persuade the allies to take diplomatic and economic measures against Libya — that it is willing to combat terrorism resolutely and effectively.

When I use the term war on terrorism, I mean, first of all, nonmilitary actions — political and economic pressures. The alliance must pinpoint the terrorists' "addresses" — the states, such as Syria and Libya, that support them — and it must see to it that these states are punished with economic sanctions. As first steps, trade of any kind must be prohibited, and Syrian and Libyan airlines must be forbidden access to airports.


By SHILOH in Ma'ariv (Tel Aviv). Cartoonists & Writers Syndicate.

Political sanctions must be imposed, too. The members of the alliance must search the diplomatic pouches of terrorist-sponsoring countries to prevent the smuggling of weapons and explosives. It is unthinkable that the Libyan ambassador should sip champagne at diplomatic receptions in Paris and that his Syrian counterpart should be entertained at one of Washington's fabled dinner parties while their governments sponsor terrorist acts against French and American nationals.

This is an offensive farce, and it must be stopped. Better still, at an appropriate moment the embassies of states caught sponsoring terrorism should simply be closed and their diplomats expelled.

The political fronts of terrorist organizations — fronts like the PLO offices in Europe, which are as innocent as candy stores fronting for Mafia operations — must be shut down. Until they are, the PLO representatives in Paris will continue expounding in fluent French on the peace-loving qualities of the PLO while colleagues prepare the next terrorist murder in the building's basement.

Alongside such nonmilitary measures, the alliance must prepare military steps. An intelligence and command center must be established, where information will be gathered on all terrorist organizations, their leaders, movements, bases and headquarters. Such a center would issue warnings on operations in process. It would undertake preliminary planning of military strikes against terrorist targets — like the Israeli raid on the PLO headquarters in Tunisia a year ago and the U.S. raid on Libya.

At present, the main problem is that the terrorist organizations have a monopoly on surprise. Generally, by the time a special force can be deployed it is too late; innocent victims have been slaughtered. A center to coordinate anti-terrorist operations would not only expedite actions to free hostages, it would also make preemptive attacks on terror bases and headquarters possible.

The terrorists, and especially their commanders, must be eliminated. Such operations must be prepared well in advance, and for this a constant operational coordination between members of the alliance is essential. A main center of intelligence and command in the United States, and a parallel one in France, acting in tandem as the brain of the operation, would facilitate detailed planning.

The cost and damage of terror can be quickly reduced and terrorism itself ultimately eliminated. But first we need a decision. No one smells weakness and exploits it better than the terrorist monster.

*The New York Times.*

# LETTERS TO THE EDITOR

## Norway and NATO

*Regarding "NATO Is an Alliance That Should Not Be Disbanded" (Sept. 24) by Frederick Bonnart:*

It is easy to agree with the writer as to why NATO should not be disbanded. But I cannot accept that, in his attempt to highlight political differences in the alliance, he should make a wholly erroneous reference to the Norwegian minister of defense as having "opposed some fundamental NATO decisions." Norway is firmly committed to the objectives of NATO — a strong common defense and constructive East-West dialogue.

Due to her strategic location, Norway's security depends not only on her own defense efforts but also on allied solidarity. NATO membership, a cornerstone in Norwegian security policy, is backed by broad public support rating among the highest in the alliance. A policy in NATO such as that ascribed to Norway by Mr. Bonnart would clearly not be consistent with the pursuance by my government of these longstanding and fundamental defense and foreign policy objectives, and the column thus misrepresents Norway's position.

EIVINN BERG,
Permanent Representative
of Norway to NATO, Brussels.

## Copies in Singapore

"Singapore Cautions Foreign Publications" *(Sept. 17)* misreports Wong Kan Seng, minister of state for communications and information and acting minister for community development, as having "asserted that the seven [foreign publications] were dependent on the Singapore market to a great extent." What Mr. Wong said in Parliament was: "Almost one in seven copies of these [foreign] publications ... is sold in Singapore. They are dependent on the Singapore market to a great extent."

LEE SENG GIAP.
City Hall, Singapore.

# Nakasone's Thinking Isn't Racist

**By Nathaniel B. Thayer**

WASHINGTON — I have known and argued with Yasuhiro Nakasone for 25 years. A few years ago I helped him put an autobiography into English. I am now working on a political biography. I see him regularly, the last time just 10 days ago. I feel confident I know what he thinks. He is not a racist.

He got to be prime minister by doing first things first and doing them fast. That explains why he summoned the press in the middle of the night and gave it a handwritten apology to the American people for comments about minority groups.

The apology, he hoped, would allow him to get on with his "political commitment to strengthen friendship between our two peoples." But he was also aware that it would serve to confirm the charges of racism that many Americans leveled against him for his speech to young Liberal Democratic Party workers in the Shizuoka foothills of Mount Fuji.

The problem with the Shizuoka speech seems to rest with Mr. Nakasone's penchant for mixing English phrases into his Japanese sentences. I have listened to a voice clip from the speech. He says Japan has an "intelligent society." The quote is the part of the sentence in English. In a following sentence he says the level is low in the United States, and attributes that to blacks and Hispanics. The Japanese Foreign Office has said he was talking about education and literacy.

I agree that Mr. Nakasone was talking about education. But I think he was talking about something beyond just literacy. I think he was talking about intellectual integration, although that term is mine, not his. I think he was talking about the ability of a nation to recognize its general welfare, formulate its goals and then act on them. He could just as easily have been talking about America's inability to bring its minorities into the mainstream of society as about the minorities themselves.

He was condescending. He is contrite. That accounts in part for his speed in issuing an apology.

The last time I met him, he handed me a pamphlet of a speech he had given to a seminar of party workers in the mountains at Karuizawa on Aug. 30. In it he speaks of a philosophy of accommodation. He quotes from the 13th century Japanese Buddhist sage Dogen, who found divinity in all living matter. He recalls the Asian idea that all men are brothers. He speaks of respect for human values.

The Karuizawa speech is not Nakasone at his best but Nakasone as usual. It is a better measure of his thinking than the Shizuoka speech.

What are the attitudes of other Japanese toward the West? That question was explored in five national polls between 1950 and 1970. In the first two, a plurality felt inferior to Westerners. In the next two, a plurality felt superior. In the fifth poll, only the Japanese who felt Westerners and Japanese were the same were on an upward curve.

While Japanese intellectuals write of learning from China, since it is the historical source of much Japanese culture, polls show that this attitude is not accepted by other citizens. More common is the attitude that China has something to learn from Japan. And while South Korea ranks above North Korea in Japan's estimation, neither is liked.

A Japanese diplomat, writing under the pen name Satoru Nagasaka, has said, "Japanese will accord Koreans equal social status when their nations have achieved an economic status equal to Japan. Europeans and Americans imposed the same condition on Japan." The book received a literary prize.

Japanese spend little time worrying about their own minorities, although from time to time powerful Japanese writers have come to their defense. Police fear of North Korean spies and illegal immigrants has greatly affected treatment of Koreans in Japan. Keidanren, the federation of economic organizations, has committees to study every possible problem in the economy, but no committee to study employment problems among the *burakumin*, a caste subject to various forms of discrimination.

The great theme of the 1970s and '80s has been "internationalization" of Japan. But most Japanese see their society as quite different from others. Some see this difference as a blessing, others as a burden. Mr. Nakasone sees it as both. It is not always easy to tell which thought is uppermost in his mind when he talks of Japan's future.

*The writer is director of Asian studies at the School of Advanced International Studies at Johns Hopkins University. He contributed this comment to The Washington Post.*

# IN OUR PAGES, 75 AND 50 YEARS AGO

## 1911: War to Spread?

ST. PETERSBURG — Russian political circles predict that the Italo-Turkish conflict will not be restricted to Tripoli alone, but will spread through the Ottoman Empire and cause an outbreak in the Balkans. The Russian press is unanimously sympathetic to Italy and predicts the end of Turkey in Europe in consequence of the incapacity and shortsightedness of the Young Turks. There is a movement in parliamentary circles to stimulate the Russian government to seek its advantage in the war, since the other Great Powers will take advantage of the occasion. CONSTANTINOPLE — The first despatches state that the Italians suffered severe loss during an attempt to land at Tripoli. Several Turkish officers have left for Tripoli by way of Egypt with the intention of raising a corps of volunteers.

## 1936: Communist Held

TERRE HAUTE, Indiana — Earl F. Browder, Communist, candidate for President, was arrested today with five of his campaign suite on vagrancy charges. Defiance of warnings that a Communist meeting would not be tolerated here caused the arrests. Police Chief James Yates said: "We have had our share of labor troubles from such agitators. I have the solid support of business men and other substantial citizens." The Communist leader had earlier telegraphed President Roosevelt for protection. SYRACUSE — President Roosevelt, officially opening his campaign last night [Sept. 30], met the charges of Communism leveled at his administration with a vigorous counter-attack. He declared that only the Democratic New Deal had been able to ward off the Communistic threat through forward-looking legislation.

## INSIGHTS

# Managua's Chief Delegate, a Woman With a 'Past,' Charms Her Colleagues at UN

**By Elaine Sciolino**

*New York Times Service*

NEW YORK — She hadn't been expected to attend the reception, but it was her first invitation from the U.S. Mission to the United Nations, and as Nicaragua's chief delegate, Nora Astorga accepted. When she shook hands with her somewhat bemused American host, Vernon A. Walters, the chief U.S. delegate, he told her, in impeccable Spanish, how pleased he was that she had come. She complimented him on how well he spoke her native tongue.

After a polite stay, she crossed the street to the Security Council, and two hours later railed against U.S. aggression in Nicaragua. "We hope reason and wisdom will prevail over brute force," she said.

The United States may be waging a war by proxy against Nicaragua, but the two countries still have diplomatic relations. So neither Miss Astor ga nor Mr. Walters see any contradiction in being civil to each other.

"We said nonsense," she said, "but it was important nonsense." Mr. Walters, who regularly attacks Nicaragua as a Marxist-Leninist dictatorship that has betrayed its revolutionary goals, speaks graciously of Miss Astorga's appearance. "It required a certain courage for her to come," he said.

In the male-dominated world of multilateral diplomacy, where protocol does much to smooth the rough edges of political reality, a woman like Miss Astorga has a distinct advantage. The 37-year-old diplomat is much sought after in an environment where charm at evening receptions is often as important as skill in corridor politicking.

Miss Astorga serves as her country's only direct point of diplomatic contact with much of the world, since Nicaragua has embassies in only 38 of the 158 member states of the United Nations. Her mission within and outside the meeting halls is straightforward: to win broader support for Nicaragua's revolution and to discredit U.S. policy in Central America. Even those who oppose her goals acknowledge that she applies herself vigorously.

"She goes out of her way to get to know the key diplomats and explain her country's policies," said a State Department official familiar with her activities. "But," he added, "even the best diplomat can go only so far with what is clearly a lousy hand."

Some of her critics charge that she is just a pretty face whose role is as propagandist. Arturito Cruz, who worked with her in the Foreign Ministry before he joined his father, Arturo Cruz, the rebel leader, said, "Norita is a resonance box and what is put into it is decided in Managua."

"It is hard to cut through her charm," says one Third World ambassador. "I have spoken with her many times, but feel I don't know her."

An Asian ambassador said: "She's still a little green when it comes to UN politics. She's still learning how to handle herself under pressure." At Security Council meetings, she sometimes appears nervous, chain-smoking Marlboros, fingering her jewelry, folding and unfolding her hands. She tends to argue extemporaneously.

Ever since she arrived on the diplomatic scene in March, Miss Astorga has been a tireless saleswoman for her country, carrying the cause of the Sandinists beyond the United Nations to the universities, churches and television audiences of the United States.

With her smartly cropped hair, painted nails, dress-for-success wardrobe and Americanized English (she spent two years as a student at Catholic University in Washington), Miss Astorga scarcely fits the Reagan administration's composite profile of the Sandinist. But what makes her especially intriguing is that she comes with a "past." It is difficult for her fellow diplomats to begin a conversation about her without references to the incident that has made her Nicaragua's most notorious female revolutionary.

"She wears her past," observes one male Western ambassador, "like other women wear perfume."

IT was on March 8, 1978, International Women's Day and a year before the Sandinists overthrew the regime of Anastasio Somoza, that Miss Astorga, then a corporate lawyer for a leading Nicaraguan construction company and a divorced mother with two children, lured the top Somoza general, Reynaldo Pérez Vega, a reputed torturer, to her bedroom. When he began to undress, she gave a signal and three Sandinist *compañeros* burst out of hiding. They were supposed to kidnap the general for interrogation and exchange him for political prisoners, she said, but when he resisted, they slashed his throat with a knife.

Today, she has no regrets. "It was not murder," she said, "but political justice." Sexual intercourse, however, would have been a different matter. "I couldn't have done it, even with all my political conviction," she said. "He was too much of a monster."

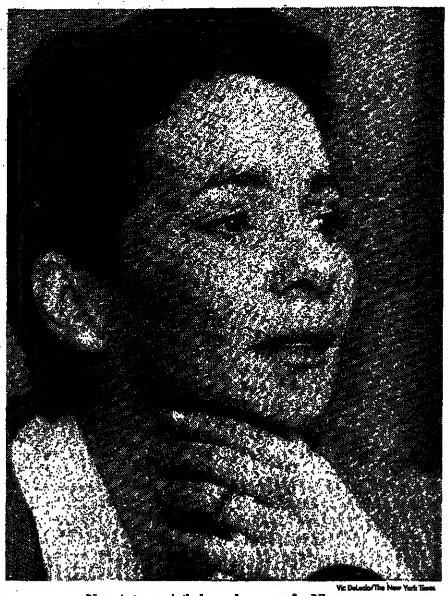
Miss Astorga claims to resent what she calls "morbid curiosity" about the murder. But she acknowledges that had it not been for that one dramatic act of revolution, she might scarcely be noticed. "It's one of the high points of my life," she admitted matter-of-factly. "It has not been a disadvantage. But I insist, my life is more than that single act."

Her role in the general's murder cost Miss Astorga the job as Nicaragua's ambassador to Washington two years ago. Although the State Department was ready to accept her nomination, the Central Intelligence Agency let it be known that the slain general had been a valuable CIA "asset," and that his murder was a hostile act. Today there is an admission in Washington that politics played no small part in her rejection.

The Reagan administration could do little, however, to block Miss Astorga's nomination to the United Nations.

Miss Astorga moves easily in the rarified atmosphere of the United Nations, where only three other women, from the Seychelles, Belgium and Barbados, lead their countries' missions. It is a culture that Jeane J. Kirkpatrick, the former chief U.S. delegate, characterized as full of more "rank sexism" than "any other arena I have ever been in in my life."

But Miss Astorga's feminism is a Latin one, and she admits that she fully enjoys the perquisites of being a woman in a man's world. While Mrs. Kirkpatrick steadfastly boycotted the delegates' lounge, a kind of male club where horse-trading is conducted over cigars and Scotch, Miss Astorga is a regular visitor, kissing and shaking hands with colleagues as she makes her entrance.



Vic DeLucia/The New York Times

**Nora Astorga: A tireless saleswoman for Nicaragua.**

"It's the place to be," she said, "and I like the attention."

Her conversation may be filled with descriptions of how a vast northern empire is poised to invade her country at any moment, but Miss Astorga never raises her voice and she always smiles.

She seldom goes unnoticed, though. It is not that she is classically beautiful. Her teeth are crooked and she has a graceless walk, but with her high cheekbones, heart-shaped face and sleek, tall frame — 5 feet 11 inches (181 centimeters) in the high heels she insists on wearing — she cannot help but stand out. Her movements, in fact, are so carefully watched that during a recent Security Council debate, a woman diplomat from Latin America says, "The moment Nora Astorga crossed her legs, all the eyes in the room were off the speaker and on her."

Despite an easygoing social exterior, she remains an intensely private person. She has confided to only a few close associates that it was a mastectomy that kept her out of work for seven weeks. Even though she has been undergoing chemotherapy, she has immersed herself in a full work schedule.

To escape "the noise and dirt" of Manhattan, Miss Astorga rents a six-bedroom house that sits on a creek near a large bank of trees in Scarsdale, New York, an elite suburb of New York City.

The house is never empty. There are her three daughters and a son, who range in age from 5 to 14, two teenage nieces, a widowed mother, a maid, a cook and a chauffeur, who drives Miss Astorga to work every morning in a 1978 blue Mercedes, a relic of prerevolutionary days. Her children and nieces all attend Scarsdale's public schools. In November her household will include an adopted son, the offspring of a woman friend killed during the revolution.

Miss Astorga, whose house costs $4,500 a month in rent, rankles at criticism that government funds are being squandered on lavish living at a time when her country is facing a worsening economic crisis. She defends the $1,500 that the mission spends monthly on "diplomatic representation" as appropriate. "In order to fulfill my duties, I have to do certain things," she said. "I don't live like a millionaire. But you can't expect me to wear blue jeans to the Security Council."

Miss Astorga's attempts at "selling" her nation to the United States are almost as important for Nicaragua as is her work at the United Nations. In this, she easily upstages her country's ambassador in Washington, Carlos Tunnerman Bernheim, 53, a reserved former minister of education whose speeches sometimes resemble academic lectures.

At a speech to students at New York University, Miss Astorga portrayed the Sandinists' beliefs this way: "Communists we are not; Marxists we are not. We just don't believe that communism or socialism is a contagious disease."

At a funeral service for a Dominican sister who had been active in Nicaragua, her eulogy moved the assemblage at Manhattan's St. Vincent Ferrer Church to tears. At a recent opening of Nicaraguan paintings in a New York gallery, she attracted as much attention as the art.

She also actively promotes the "sister city" program that Nicaragua has with about a dozen American municipalities, from Concord, New Hampshire, to Portland, Oregon, and she is planning a speaking tour to some of them this fall.

Much of the publicity about Nicaraguan activities in the United States is handled by a small public relations firm, Agendas International, which was founded three years ago by Darryl L. Hunt and Donald J. Casey, former Maryknoll priests.

For $25,000 a month, the two consult almost daily with Miss Astorga and with Mr. Tunnerman in Washington. They plan advance work for official trips in the United States, help write speeches, arrange public appearances and prepare visiting dignitaries for press conferences and television appearances.

But even the most sophisticated media campaign cannot help Miss Astorga defend some of Nicaragua's positions. When the Reagan administration accused Nicaragua of "invading" Honduras with 1,500 troops last spring, for example, she called press conferences and went on national television to charge the administration with "lies and fabrications."

Although it was not an "invasion," Nicaraguan troops had, indeed, crossed the border to attack rebel camps, an admission Miss Astorga is loathe to make.

SOME of her fellow diplomats call her evasive on other thorny subjects. She refuses, for example, to explain why Nicaragua abstains every year when most of the nonaligned nations have voted to condemn the Soviet occupation of Afghanistan. Instead, she refers to a 1980 speech by one of her predecessors in which Afghan rebels were referred to as "mercenaries and counterrevolutionaries." On why her country supports Iran in its war with Iraq, she says, "I don't usually comment on internal things in other countries."

She denies that Nicaragua's revolution resembles that of Cuba. When pressed, she claims ignorance: "I just don't know Cuba in detail to pinpoint things that are good or are bad. The Cuban people believe what they have is good for them."

Her responses accurately reflect the policies articulated in Nicaragua. The closing of the opposition newspaper La Prensa was necessary, she said, because it was financed indirectly by the Central Intelligence Agency, and: "You cannot give your enemies all the possibilities to harm you."

Two grants totaling $200,000 had been awarded to La Prensa by the National Endowment for Democracy, a private U.S. group that channels money from the U.S. Information Agency to various institutions in countries where democracy is deemed fragile or nonexistent ($50,000 was withheld after La Prensa was shut down). The closing of La Prensa eliminated the only press opposition to the Ortega government.

As for recent measures taken against churchmen, Miss Astorga said that Bishop Pablo Antonio Vega had to be expelled from Nicaragua because "he held many open meetings with counterrevolutionaries and was practically asking for U.S. intervention."

"Just because he's a priest doesn't mean he's above the law," she said.

She was quick to add, "This action is not against the church; it is against an individual who also happens to be a church person."

Pope John Paul II said he "strongly deplored" the expulsion, which he called "an almost incredible act" that recalled the "dark ages" of Latin-American anti-clericalism. A meeting on the church-state rift was held last weekend between President Daniel Ortega Saavedra and the Nicaraguan primate, Cardinal Miguel Obando y Bravo, in which it was agreed to revive a commission on church-state dialogue.

As for her own commitment to religion, Miss Astorga, who attended Mass daily until she was 17, says she is no longer a practicing Catholic. But she is raising her children as Catholics, and is herself still religious enough to have received communion this summer at the 25th anniversary celebration of Foreign Minister Miguel d'Escoto Brockmann's ordination as a Maryknoll priest.

ALTHOUGH the revolution she defends has lost much of its original luster for countries that had hoped it would usher in democracy after decades of dictatorship, Miss Astorga has won the respect of many of her colleagues at the United Nations.

"She functions like any good ambassador overseas," says Cavan O. Hogue, Australia's deputy permanent representative at the UN, who first met Miss Astorga in 1982 when he was ambassador to Nicaragua. "She doesn't rush around slapping backs and thumping tubs. She certainly doesn't act like a Mata Hari."

Even Mr. Walters, a retired three-star general and former deputy director of central intelligence, has some kind words for an opponent whose debating skills rival his. "She defends the interests of her country very adequately," he says. "And I'm glad she realizes all generals are not alike."

*(This article has been excerpted from The New York Times Magazine.)*

# Kinnock Defends Arms Stance in Keynote Speech

*Reuters*

BLACKPOOL, England — Neil Kinnock, Britain's Labor Party leader, defended on Tuesday his plans to scrap nuclear weapons and close U.S. nuclear bases, dismissing American criticism that this would undermine NATO.

In an address to party delegates, he also appealed to Britain's "moral majority" to vote Prime Minister Margaret Thatcher out of office so that Labor could implement more caring social policies than the governing Conservative Party.

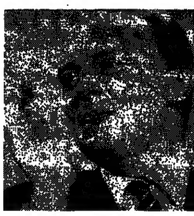
"I would die for my country, but I would never allow my country to die for me," Mr. Kinnock said to delegates at the party's annual congress in this seaside resort.

He promised to fulfill Britain's obligations toward the North Atlantic Treaty Organization, saying: "That is amongst the most prominent reasons for implementing a nonnuclear defense policy. For it is now plainly the case that by pursuing a nuclear-dependent defense policy, the present government is diminishing the conventional defense of our country."

He promised, however, that a Labor government would not remove from Britain any American nonnuclear installations that were "critical for the defense and intelligence needs" of the United States.

His remarks came a few hours after the party had healed an apparent leadership rift over defense that followed comments by Denis Healey, the party's foreign affairs spokesman, that Britain might be persuaded by its European allies to allow U.S. nuclear bases to remain.

Mr. Healey stepped back into line Tuesday morning. He said that following criticism of Labor policy by the U.S. defense secretary, Caspar W. Weinberger, and his deputy, Richard N. Perle, such a possibility was "inconceivable."



AP

**Neil Kinnock**

Mr. Healey also denounced "Mr. Weinberger's and Mr. Perle's bully-boy intervention."

"No British government," he said, "could surrender to the sort of bullying and blackmail being used by American officials."

**■ Weinberger's Remarks**

*Joseph Lelyveld of The New York Times reported from Blackpool:*

The Labor Party accused Mr. Weinberger on Monday of having interfered in British politics but sought to play down the significance of his warning against its nonnuclear defense policy.

Mr. Weinberger's warning came in a BBC television interview that was broadcast Monday evening, days after a political storm had blown up in anticipation of the remarks, which were taped for broadcast at the start of the Labor Party conference.

U.S. officials emphasized that the timing of the interview had been determined by the BBC, not Mr. Weinberger, but this did not prevent a columnist for The Guardian from characterizing the interview, even before it was broadcast, as a "pre-emptive strike against the election of a Labor government."

If the Labor Party succeeded in carrying out its declared policy, Mr. Weinberger said, the NATO alliance would be "severely weakened" and Britain's supposed "special relationship" with the United States would be "particularly weakened."

"I would suspect that it would be very difficult to hold the alliance together," Mr. Weinberger said.

Until the Weinberger interview upset its plans, the Labor Party leadership had planned to play down the defense issue at its conference, as part of a general effort to highlight its stand on social welfare issues and present a softer, more congenial face to the nation after years of strenuous ideological infighting.

Opinion polls have recorded a small but distinct increase in the proportion of Britons willing to contemplate unilateral nuclear disarmament. A recent Gallup Poll found that 44 percent of those surveyed wanted to be rid of nuclear weapons.

But there are few in the Labor Party's leadership who believe it can pick up votes on the issue. A Marplan poll published last week reported that 41 percent of Labor's own supporters favored the retention of a British deterrent.

The broadcast of Mr. Weinberger's interview was preceded by two in the past week with his assistant, Mr. Perle. In the first of these, Mr. Perle called the Labor stand "wildly irresponsible."

In a follow-up interview on BBC radio Monday morning, Mr. Perle expressed the same thought more diplomatically. It is not interference, he said, to give a direct answer to a direct question.

# *Chernobyl Fallout Extends to World Energy Agency*

By Walter Pincus

*Washington Post Service*

VIENNA — The International Atomic Energy Agency, which was pushed into the world spotlight by the Chernobyl nuclear disaster, now finds itself being tugged in several directions, according to agency officials and representatives of member governments.

At a five-day general conference this week, the agency's 112 member countries will have to decide how far the agency will go in working on the variety of problems its experts have identified as arising out of the Chernobyl accident. They include:

- Developing revised, perhaps binding, safety standards for reactors.
- Pressing for common techniques to measure radiation.
- Establishing a convention to pave the way for compensating other nations damaged by an international nuclear accident.

Already, however, some key member nations have begun to back away from binding safety standards. Hints of political maneuvering on some issues are beginning to emerge.

"Nuclear safety activities are particularly national responsibilities," one longtime participant in the agency's meetings said Saturday. "Despite the rhetoric," he added, countries "are not going to surrender any measure of their sovereignty."

The United States has emphasized the need for the agency to step up its safety programs, but Energy Secretary John S. Herrington said here in an interview last week, "We are interested in real safety, not quick fixes."

In Mr. Herrington's view, any set of safety rules adopted by the agency would end up at "the lowest common denominator."

"If this group would enforce the Nuclear Regulatory Commission standards on an international scale, that would be a real program," he said, in a reference to a U.S. agency. "But I'm not sure that's possible."

Instead, Mr. Herrington proposed international safety reviews with publicly released reports pointing out where a nation may be falling short in its standards.

The Soviet Union, which called on the agency for assistance when it was being buffeted by world criticism for its handling of the Chernobyl disaster, has laid out an extensive series of programs for the agency that emphasize work on standards for reactor design and safety.

Boris E. Shcherbina, deputy chairman of the Soviet Council of Ministers and head of the commission that investigated the Chernobyl accident, said that the agency's experts should develop "criteria for the next generation of nuclear power facilities," and "basic standards for safety," which would be applied within the Soviet nuclear industry.

"We will implement technical standards," Mr. Shcherbina said, "where our reactors are the same as those in the standards."

He also called for adoption of a convention "under which all the states will commit themselves not to attack nuclear installations." A similar measure was introduced in past years by nations critical of Israel for its attack on an Iraqi nuclear reactor.

The secretary-general of the agency, Hans Blix, said last week that he saw "growing support" for a study on providing compensation for international damage done by a nuclear accident.

Environment Minister Brigitta Dahl of Sweden reported that fallout from Chernobyl on her country would require measures over "many years to come." The Netherlands, with the support of Norway, Austria and West Germany, has introduced a proposal to explore a compensation convention.

The issue of compensation could cause a superpower clash. Mr. Herrington said he thought it was well worth discussing privately, and other officials said Washington wanted to keep the issue alive to focus attention on international unhappiness with Moscow over Chernobyl.

Mr. Shcherbina said last week that the Soviet Union had no legal responsibility to compensate anyone outside its borders for the Chernobyl accident. He added that he thought there should be compensation, instead, for what he described as damage done by misinformation in the Western news media.

# High Court Upholds Botha on Detentions

By Alan Cowell
*New York Times Service*

JOHANNESBURG — South Africa's highest judicial panel upheld on Tuesday the government's right to detain perceived adversaries without trial under the emergency decree.

The 64-page ruling was handed down by a bench of five judges of the appellate division of the Supreme Court in Bloemfontein, the capital of Orange Free State.

It overturned an earlier Supreme Court decision in Natal province that, if upheld, could have permitted thousands of detainees to go free.

The ruling was seen as a victory for the government in its effort to ward off legal challenges to the near-absolute powers it wields under emergency rule.

In a separate development, President Pieter W. Botha stepped down Tuesday as leader of the ruling National Party in Cape province, a position he had held for 20 years. Mr. Botha remains the party's national leader.

But his withdrawal from the Cape leadership added to speculation that Mr. Botha, 70, might be seeking to orchestrate the succession to his leadership.

He is to be replaced as Cape provincial leader by Chris Heunis, the minister of constitutional planning and development. Mr. Heunis, 59, has drafted much of the National Party's program of cautious and thus far inconclusive racial change.

Leadership of Cape province, South African commentators said, gives Mr. Heunis a platform to challenge other contenders, such as F.W. de Klerk, the party leader in Transvaal province and the minister with overall responsibility for the nation's segregated education system.

Mr. Botha announced his decision at a party congress in East London. In a speech delivered at the congress Monday night, he also ended speculation that he might call early elections this year.

Mr. Botha does not need to call elections until 1989, but he had been taunted by rightist foes, who claimed that he was ruling without a mandate because the last general election among the nation's white voters was held in 1981.

In Bloemfontein, the appellate division of the Supreme Court delivered judgment Tuesday on two contradictory rulings made in August by different branches of the Supreme Court in Natal province.

One ruling, made in Durban, resulted in the release of a political detainee, Solomon Tsenoli, on the grounds that President Botha had exceeded his lawful powers in the way he ordered detentions without trial under emergency regulations in force since June 12.

Mr. Tsenoli is an official of the United Democratic Front, the largest nonpartisan opposition alliance in the country.

A second Supreme Court ruling, also in Natal province in August, contradicted the first, arguing that it ran counter to President Botha's intentions in proclaiming the emergency.

The conflicting judgments had forced the postponement of many applications by detainees' lawyers for their clients to be released. The ruling on Tuesday, however, which is binding on courts throughout the land, left little hope that detainees might be freed on the basis of the arguments that led to the release of Mr. Tsenoli.

The legal arguments turned on various judges' interpretation of the 1953 Public Safety Act, the law that empowers a South African president to declare a state of emergency.

In the hearings that led to Mr. Tsenoli's release, a three-judge panel of the Supreme Court found that Mr. Botha had exceeded the powers available to him under the 1953 legislation in the way he phrased the emergency regulations permitting detention without charge or trial.

The Natal court had found that the emergency regulations were so broad in their scope as to permit the detention of common criminals whose incarceration would not contribute to the lifting of the emergency.

The Bloemfontein judges disputed this notion Tuesday, however, saying that detention under the emergency decree was "intended as a means of providing for the safety of the public, the maintenance of the public order or the termination of the state of emergency."

# Congress Was Eager To Stop Pocket Veto

*New York Times Service*

WASHINGTON — President Ronald Reagan's tangle with Congress over South Africa sanctions highlights a little-understood part of the law-making procedure under the U.S. system of sharing governmental power between the executive and legislative branches.

According to the Constitution, when the president receives a bill from Congress, he has 10 days to act on it: signing it into law, not signing it and letting it become law, or writing "veto" — Latin for "I forbid" — on it and sending it back to Congress with a message setting forth his objections.

If he vetos a bill, Congress can accept the veto, it can amend the bill to get around the president's objections, or, as in the present case, it can try to override the president by passing the bill with at least a two-thirds majority in both the House and Senate.

But there is another way the president can turn down a bill, which is a hot topic in Washington as the 99th Congress tries to wind up its work before it adjourns on Friday. This is the pocket veto.

If Congress adjourns within 10 days after sending a bill to the president, he can kill the legislation by simply doing nothing. This is a pocket veto because the president has figuratively taken the bill and put it in his pocket.

Fearful of a pocket veto, Congress sped up action on several measures, including South African sanctions.

The bill had easily passed both the House and the Senate, but the versions differed significantly. Had the normal procedure of a conference of senators and representatives to work out the differences been followed, time might have dwindled, raising the possibility of a pocket veto.

So House leaders agreed on Sept. 12 to accept the Senate bill, and thus get the measure to Mr. Reagan as fast as possible. The result was an impending foreign policy setback for the president.

Since Congress opened in 1789, the pocket veto has been used 1,032 times. More than a quarter of those vetoes, 263, were used by one president, Franklin D. Roosevelt.

Mr. Reagan has used the pocket veto 21 times, the most by any president since Dwight D. Eisenhower. One of the bills Mr. Reagan pocket vetoed, directing him to report to Congress on the human rights situation in El Salvador before the release of aid, is the basis for a case on which the Supreme Court will hear arguments this fall.

In 1929 the Supreme Court ruled that a pocket veto could be used whenever Congress was to be out of session for more that 10 days. The rationale was that since Congress often left Washington for months at a time, a bill could not remain in limbo so long.

But since then a series of lower court rulings have limited the tactic to the sort of period that exists now, the waning days of an entire Congress.


**Numerical Summary of Bills Vetoed, 1789-1986**

| | Regular vetoes | Pocket vetoes | Total vetoes | Vetoes overridden |
|---|---|---|---|---|
| Washington | [illegible] | — | [illegible] | — |
| John Adams | [illegible] | — | [illegible] | — |
| Jefferson | [illegible] | — | [illegible] | — |
| Madison | [illegible] | 2 | [illegible] | — |
| Monroe | [illegible] | — | [illegible] | — |
| John Q. Adams | [illegible] | — | [illegible] | — |
| Jackson | [illegible] | 7 | [illegible] | — |
| Van Buren | [illegible] | 1 | [illegible] | — |
| William Harrison | [illegible] | — | [illegible] | — |
| Tyler | [illegible] | 4 | [illegible] | 1 |
| Polk | [illegible] | 1 | [illegible] | — |
| Taylor | [illegible] | — | [illegible] | — |
| Fillmore | [illegible] | — | [illegible] | — |
| Pierce | [illegible] | — | [illegible] | 5 |
| Buchanan | [illegible] | 3 | [illegible] | — |
| Lincoln | [illegible] | 5 | [illegible] | — |
| Andrew Johnson | [illegible] | 8 | [illegible] | 15 |
| Grant | [illegible] | 48 | [illegible] | 4 |
| Hayes | [illegible] | 1 | [illegible] | 1 |
| Garfield | [illegible] | — | [illegible] | — |
| Arthur | [illegible] | 8 | [illegible] | 1 |
| Cleveland | [illegible] | 110 | [illegible] | 2 |
| Benjamin Harrison | [illegible] | 25 | [illegible] | 1 |
| Cleveland | [illegible] | 128 | [illegible] | 5 |
| McKinley | [illegible] | 36 | [illegible] | — |
| Theodore Roosevelt | [illegible] | 40 | [illegible] | 1 |
| Taft | [illegible] | 9 | [illegible] | 1 |
| Wilson | [illegible] | 11 | [illegible] | 6 |
| Harding | [illegible] | 1 | [illegible] | — |
| Coolidge | [illegible] | 30 | [illegible] | 4 |
| Hoover | [illegible] | 16 | [illegible] | 3 |
| Franklin Roosevelt | [illegible] | 263 | [illegible] | 9 |
| Truman | [illegible] | 70 | [illegible] | 12 |
| Eisenhower | [illegible] | 108 | [illegible] | 2 |
| Kennedy | [illegible] | 9 | [illegible] | — |
| Lyndon Johnson | [illegible] | 14 | [illegible] | — |
| Nixon | [illegible] | 17 | [illegible] | 7 |
| Ford | [illegible] | 18 | [illegible] | 12 |
| Carter | [illegible] | 18 | [illegible] | 2 |
| Reagan | [illegible] | 21 | [illegible] | 4 |
| TOTAL | [illegible] | 1,032 | [illegible] | 98 |

Source: Senate Library

NYT

On the Salvador measure, the Reagan administration argued that until the Supreme Court ruled definitively, the 1929 decision was the law. A group of congressmen challenged that interpretation and won in the U.S. Court of Appeals. The administration took the case to the Supreme Court, which agreed to hear arguments this fall.

# In Los Angeles, Shaky Start for a Subway

By Judith Cummings
*New York Times Service*

LOS ANGELES — Symbolic shovels of dirt were raised Monday as ground was broken for a long-discussed subway project designed to bring back rapid transit to Los Angeles after a quarter of a century.

But unless numerous remaining problems are solved, the subway system, known as Metro Rail, may extend less than five miles from downtown Los Angeles.

After years of lobbying and negotiation, city officials and the California congressional delegation succeeded in securing $225.6 million in federal funds to build 4.4 miles (7 kilometers) of a planned 18-mile segment from downtown into the San Fernando Valley. They have projected a 150-mile countywide system.

The first segment — from Union Station, the city's railroad station and terminus of many countywide bus lines, to Alvarado Street at Wilshire Boulevard — is scheduled to open in 1992.

But it remains to be seen whether officials can succeed in getting federal funds to help pay for the rest.

The Reagan administration, facing a spiraling federal budget deficit, has been opposed to committing funds to expensive new subway projects, especially in Sun Belt cities that lack a tradition of wide public use of mass transit.

But the project has been promoted by many city officials, the downtown business leadership and labor leaders as the answer to Los Angeles's growing traffic congestion. The problems are especially severe downtown, where an uninterrupted 15-year building spree has created a thicket of skyscraper office towers.

Other influential Los Angeles residents have expressed doubts about the feasibility of a subway. They have raised concerns about its safety and expense and have warned that it may fail to lure Southern Californians from their cars and become nothing more than an expensive burden on the taxpayers.

Los Angeles once had one of the largest rail transit systems of any U.S. urban area. Its electrified surface system, known as Red Cars, crisscrossed Los Angeles County from the foothills to the Pacific Ocean. But the electric cars increasingly clashed with automobiles for street space, and the automobiles won.

The last Red Car line was shut down in the early 1960s. Now city planners are warning that the city's economic growth will be stunted unless some transportation relief is found. The expanded countywide bus system has not helped much because it, too, competes for space on congested streets and freeways.

Many Angelenos have long resented the fact that much of their federal gasoline tax money is used to help finance rapid transit systems elsewhere, while Los Angeles has gone without. But federal transportation officials, citing the example of Miami, where a new federally financed subway has had a disappointing level of use, have balked at picking up the tab to initiate a subway here.

Last month, after more than a decade of planning and talks, city officials beamed as the head of the Urban Mass Transit Administration, Ralph Stanley, signed a contract committing the agency to release $274.6 million to help pay for Metro Rail's first 4.4 miles.

But agency officials drew a hard bargain: The federal government disavowed any responsibility for cost overruns, and it made no commitments at all for the remainder of the 18 miles.

There are other hurdles.

- A federal judge in Washington has temporarily blocked release of federal funds because of a legal challenge to the project's environmental impact statement.
- A new route through West Los Angeles must be found to avoid methane gas pockets that erupted in a disastrous fire last year.

Undeterred, Mayor Tom Bradley scheduled the ground-breaking anyway. One of his key political promises as the city's Democratic mayor has been that his leadership would bring a subway to Los Angeles.

# French Official Links Syria to Paris Terrorists

By Richard Bernstein
*New York Times Service*

PARIS — A senior French official implicated Syria on Tuesday with the group that the police believe carried out a series of bomb attacks here earlier this month.

Michel Aurillac, the minister of cooperation in the conservative government, said in a newspaper interview published Tuesday that individuals believed by French police to be responsible for the bombing attacks were "exfiltrated" from France with the help of "professional secret agents."

In intelligence jargon, "exfiltrate" refers to a secret departure from a clandestine assignment in a hostile country.

Mr. Aurillac, who recently returned from a hastily scheduled trip to Damascus for talks with Syrian leaders, stopped short of accusing Syria of providing backing for the terrorist group.

But he linked Syria to the group believed by the government to have carried out the campaign, saying that several of its members appeared in a Lebanese region that is "controlled by Syria" where they have made statements to reporters.

Mr. Aurillac's remarks, published in the conservative daily Le Figaro, were seen with a growing belief among analysts here, many of whom have become convinced over the past few days that the terror campaign was backed by Syria's secret service.

"With us now the Syrian angle is virtually a certainty," an official here said Tuesday. "Everything, including the indications we are getting from other Arab countries, indicates that the key to this is in Damascus."

The newspaper Le Monde reported that government officials were reluctant to accuse Syria of backing the terrorists for fear that that would undermine a broader French goal of maintaining close relations in the Arab world, including Syria.

[A young woman wounded in the bombing of a discount clothing store on Sept. 17 died from her injuries on Sunday, hospital officials said Tuesday, raising the death toll for the month's wave of attacks to 10 persons, with 163 wounded, The Associated Press reported from Paris.]

Responsibility for the attacks was claimed by a group demanding the release from a French prison of a suspected Lebanese terrorist leader, Georges Ibrahim Abdallah.

French police have expressed virtual certainty that among the terrorists who planted the bombs in Paris were two of Mr. Abdallah's brothers, both of whom were able to leave France undetected immediately after the attacks. They then turned up in northern Lebanon where they held press conferences to deny involvement in the terrorist campaign.

In his interview, Mr. Aurillac said: "We are struck by a certain number of things. We know with certainty that the brothers of Ibrahim Abdallah were involved in the terrorist actions in France. We know also that they were 'exfiltrated' from France by professional secret agents."

"Finally," Mr. Aurillac said, "we have noted that they have held a press conference in Lebanon in a region controlled by Syria."

Mr. Aurillac's remarks came amid public warnings by senior French officials that a two-week lull in the bombing campaign was unlikely to last indefinitely.

In a televised statement Monday night, the French interior minister, Charles Pasqua, said, "I fear that the worst is not behind us."

"We do not believe that things have ended," Mr. Pasqua said. "Things could get worse."

Mr. Pasqua's pessimistic remarks were seen by some analysts here to be a virtual admission by the government that diplomatic efforts to put an end to the terror campaign were not likely to succeed.

Officials here said that during Mr. Aurillac's stay in Damascus, Syrian leaders maintained that Syria had no involvement in the terrorist attacks in Paris.

The Syrians, however, promised to "do what they could," as one French official put it, asking in return for an increase in French economic aid.

In his interview in Le Figaro, Mr. Aurillac said that he went to Syria at the request of the Syrian vice president, Abdel Halim Khaddam.

# 5 Die in Soviet Monastery Fire

*Reuters*

MOSCOW — Five persons were killed in a fire at the Russian Orthodox religious center of Zagorsk, near Moscow, the Soviet news agency Tass reported Tuesday.

The fire, Sunday night, damaged sleeping quarters and an assembly hall at a seminary in the 14th-century Trinity and St. Sergei Monastery, considered one of the most important architectural monuments of medieval Russia.

Fire fighters prevented the blaze from spreading to the czarist chambers in the monastery, where irreplaceable icons and valuable paintings are displayed, Tass said. An investigation into the causes of the fire is under way, the agency said.

## ARTS / LEISURE

# Paris Restores 'Don Carlos'

By David Stevens
*International Herald Tribune*

PARIS — The Paris Opéra has made partial amends to Giuseppe Verdi, after 120 years, for months of exasperating rehearsals followed on March 11, 1867, by a "bloodless" (so said Verdi) and damagingly cut performance of his "Don Carlos," which the Opéra had commissioned as its major effort for that year's Universal Exposition in Paris.

What the public heard at the first performance of the Opéra's new production Saturday was more of "Don Carlos" than any audience has ever heard in Paris, or perhaps anywhere else; that is to say, the opera as it appears to have stood during the 1866 rehearsals, before the cutting began to get it into the Opéra's time frame, and before any of the composer's later revisions. Musically, Saturday, it was given in a performance that was generally commendable, if far from ideal. But the staging, alas, after a promising start, seemed to run progressively out of both money and ideas.

What is involved here is the five-act French grand opera, sung in French, today a largely unknown work. The opera has become far better known in the most important of Verdi's revisions, that of 1882-3, reduced to four acts, first performed in Italian translation in Milan in 1884, and of which about one-third of the music was new. (There is also a later five-act version, which is essentially this revision with the cut first act restored.)

There is a good case to be made for both the five-act grand opera, with its spectacular effects, leisurely dramatic exposition and stylistic cohesion, and the four-act revision, dramatically more compact and musically the work of a composer close to the concise mastery of "Otello." Later this season, the Paris Opéra will make a comparison possible by presenting the four-act version in Italian. (Whatever the version, Verdi always worked from a French text on this work and anything else was a translation).

The score now being presented at the Opéra (and also done a few weeks ago at the San Francisco Opera) is the result of discoveries — by Andrew Porter, Charles Rosen and Ursula Günther — at the Opéra of scenes and sections of music cut before the world premiere, and musicological reconstruction of this material for performance. Among these are the Prelude and Introduction with its opening scene of the impoverished woodsmen, a section of the Carlos-Posa duet in Act 2, the original music of the Philip-Posa duet that Verdi rewrote later, the original opening scene of Act 3 (although the subsequent ballet was cut this time), and the full ending of Act 4 after the death of Posa, with its music that Verdi eventually used in another form in his Requiem. The result, while it makes for three and a half hours of music, is the restoration of dramatically relevant material and some music never heard by listeners familiar only with later versions.

Having gone to the extent of using such a thoroughly restored version of Verdi's musical drama of political idealism, church-state conflict, frustrated passion and personal tragedy at the gloomy Spanish court of Philip II — based primarily on Schiller's drama — it is too bad that the Opéra could not match it on the stage.

Marco Arturo Marelli, both stage director and designer, succeeded in moving the drama along rapidly by having very little in the way of decor. Essentially the opera was played on the theater's vast empty stage, while Marelli tried a variety of devices to disguise that it was empty. The opening scene was promisingly atmospheric, much aided by Patrice Trottier's effective wintry lighting, and as the woodsmen hauled on ropes, those ropes also seemed to heave into place a heavy black velour curtain with ornate gilt decoration. For the rest of the evening this curtain was arranged in various ways to frame the stage, while on the stage what visual color there was came mainly from Dagmar Niefind's costumes.

Marelli's bag of tricks ran out in the crucial Act 4, with the powerful confrontation of King and Grand Inquisitor being dissipated on the vast stage, furnished only with a long, ornate table. At the end of this devastating interview, the Inquisitor scooted away on what seemed to be a motorized wheelchair, only slightly less preposterous than his surrealistic arrival in the following prison scene propelled upward by a stage elevator. The supposedly ghostly intervention of Charles V in the opera's finale was utterly perfunctory.

The Opéra had a doubly daunting problem in casting. In the first place, casting "Don Carlos" suitably in any language requires six singers of the first order, and doing it in French means doing so with singers who can handle that language well and have some grasp of the vocal style it implies — this at a time when the French *école de chant* is in pretty lamentable shape. (Doing it in French with non-French singers has its own pitfalls, amply demonstrated by the linguistic mush that disfigures the recent, otherwise admirable recording under Claudio Abbado.)

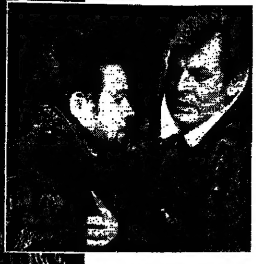
Well, there is always the English, and indeed only Thomas Allen as Rodrigue, Marquis de Posa, fully met the requirements of his role. Endowed with a splendid lyric baritone, excellent diction, and a stage manner that exudes nobility and idealism, he also managed provide glimpses of the fanaticism that underlies Posa's character.

Elsewhere, compromise was the order of the day. For whatever reason, the originally announced soprano and tenor did not make it, and two outstanding young French singers stepped in instead. Stylistically this was probably pure gain, even though both Michèle Lagrange and Jean Dupouy have voices of lighter than ideal weight for Elisabeth de Valois and Carlos. Lagrange sang charmingly and portrayed a touching Elisabeth, while wisely not meeting the dramatic vocal demands head on, while Dupouy, an essentially medium-weight lyric tenor, gave a commendable account of one of opera's more negative heroes.

Alexandrina Miltcheva was a strong, slightly rouch-edged Eboli; the Swiss bass Alfred Muff a Philip more authoritarian than convincingly human, and Sergej Koptchak an Inquisitor of richly sonorous and Slavic tone.

Georges Prêtre, despite an occasional tendency to charge ahead, conducted alertly and with much attention to detail, although it did him no good with a certain segment of the audience that does not seem to like anything he does.

Jacques Moatti



Jean Dupouy (Carlos) and Michèle Lagrange (Elisabeth) in Paris staging of "Don Carlos." Above, Dupouy and Thomas Allen (Rodrigue).

# 2 Non-Rembrandts

By Douglas C. McGill
*New York Times Service*

NEW YORK — Last month, the two paintings were by Rembrandt van Rijn. Within weeks, the world will know them as "from the workshop of Rembrandt." They will still be hanging, relabeled, at the Metropolitan Museum of Art.

Deattribution of Rembrandt paintings has been going on among art historians for decades, since after his death a great many works painted in his style were labeled "by the master."

The recent report on which the Met based one of the two deattributions in its collection reads in part: "The eyes, in themselves painted with suggestive power, betray (for example in the red lower edge to the righthand eyelid and the switches of color within the eyelid itself) a preference for a colouristic effect that seems almost coquettish. A preference like this is not to be found in Rembrandt's portraits from 1632."

The two paintings — "Portrait of a Man" and "Portrait of a Woman" — depict an unidentified patrician Amsterdam couple, garbed in dark clothing and elaborate lace cuffs and collars. The museum will keep the works on view. "You're not dealing with fakes here," said Philippe de Montebello, director of the Metropolitan Museum. "They are from the very decade in the 1630s, and they are from Rembrandt's studio. He was probably standing by the easel."

Officials at the Met said Monday that the report confirmed suspicions they had long harbored about the two paintings.

The report was the most recent publication of the Rembrandt Research Project, a five-member team of art historians from Amsterdam who for 16 years have devoted their professional lives to sorting real Rembrandt paintings from pretenders.

In the world of Rembrandt academe — populated by about a dozen top Rembrandt scholars around the world — deattribution, as it is called, has set off a round of questioning. The Amsterdam team, some scholars say, may err by labeling as "workshop of Rembrandt" any painting of less than masterpiece quality.

# A Satire on Post-Freudian Biographers

By Michael Billington

LONDON — Does the fact that W. H. Anden wore no underpants interest us more than his poetry? Does E. M. Forster's relationship with an Egyptian tramdriver concern us more than his novels? Alan Bennett clearly thinks so, for his latest play, "Kafka's Dick" at Royal Court Theatre in London, is a witty, dreamlike, if somewhat over-extended, attack on the modern school of post-Freudian biography that substitutes a preoccupation with writers' private lives for an understanding of their public work.

Bennett's play takes the form of an extravagant, phantasmagoric conceit rather on the lines of Tom Stoppard's "Travesties." It starts with Kafka's famous request to his friend, Max Brod, to burn his stories, novels and letters. It then shifts to modern, flying-ducks-on-the-wall suburbia where Sydney, an insurance agent, works at an article on Kafka to the exasperation of his wife. Who should then burst in through the French windows but the late Max Brod, having urinated on the family tortoise that suddenly transmogrifies into Franz Kafka? Much of the first half is taken up with Max's farcical attempts to disguise from Kafka the fact that his work was handed on to posterity

### THE BRITISH STAGE

and that he is now a world-famous author. In the second half Bennett focuses on the return of Kafka's brutish, bullet-headed father and his belated attempt to vindicate himself to future generations.

The burden of Bennett's play is that we rummage about in the lives of dead artists looking for significant trivia (such as Kafka's supposed concern with the size of his sexual organ), that we turn criticism into a quest for arbitrary connections and that we hunger for fairy-tale myths in which artists die poor and forgotten and are acclaimed after their death.

Bennett's play lacks an emotional dynamic. And it is a bit high-minded of a dramatist, who in "40 Years On" did a lot to dent our image of popular heroes like T. E. Lawrence, to come out with lines like "Gossip is the acceptable face of intellect." But, having said that, Bennett's thesis is timely and important and his play makes one laugh a lot: not least when Kafka's crude father, imagining that literary fame breeds amorous opportunity, tells his son "Edith Sitwell — you could have her."

Richard Eyre's production binds together a slightly sprawling text and there are remarkable performances from Roger Lloyd Pack as a gangling, ashen Kafka in a chalk-stripe suit and from Jim Broadbent as his overbearingly masculine father who decides it is better to be remembered by posterity as a monster than forgotten because one was normal.

□

A quarter of a century ago one of Alan Bennett's partners in a legendary revue, "Beyond the Fringe," was an attenuated young doctor called Jonathan Miller. And Dr. Miller is currently on view with his extraordinary new production of "The Mikado" for the English National Opera at the Coliseum, which is likely to horrify Gilbert and Sullivan purists and delight almost everyone else. It sets the story not in Japan but in the all-white lobby of an ultra-chic 1920s hotel. Ko-Ko becomes a slightly raffish bar-fly, Yum-Yum and her chums are uniformed schoolgirls, Katisha is an anglicized Margaret Dumont and the male chorus are less gentlemen of Japan than a collection of Surrey stockbrokers with fearfully clipped accents.

Miller's production has to work hard to make all the ingredients fit. Richard Angas as the Mikado, for instance, totters on in a massive white suit that makes him look like Sydney Greenstreet multiplied by three but carries no hint of despotic menace. Unlike Brian MacDonald's superb production for the Stratford Shakespeare Festival in Ontario, Miller never fully exploits the dance rhythms at the heart of Sullivan's tunes. But the show, designed by Stefanos Laziridis with sloping floors and false perspectives, looks fabulous and contains a splendidly seedy Ko-Ko from the comedian Eric Idle and a memorably fetching Yum-Yum from Lesley Garrett.

□

At Stratford-upon-Avon, Trevor Nunn (who currently has four hit-musicals running in London's West End) returns to the classics with a production of Thomas Heywood's "The Fair Maid of the West" at the Neo-Elizabethan Swan Theatre. Heywood's play, written around 1599, was a two-part potboiler retailing the adventures of a Plymouth barmaid, Bess Bridges, and her journeyings to the Azores, the Spanish Main and Morocco in a desperate quest for her missing lover. While it has no great literary merit, it offers a humane tribute to female constancy and to the English love of maritime adventuring.

Nunn takes a hack text and turns it into something joyous by ransacking English popular theatrical traditions from balled opera to Victorian pantomime.

*Michael Billington is the theater critic of The Guardian.*

## DOONESBURY

### NYSE Most Actives

| | Vol. | High | Low | Last | Chg. |
|---|---|---|---|---|---|
| Syntex s | 18449 | 56¾ | 52 | 54½ | —1⅝ |
| USX Cp | 18435 | 23¾ | 23⅛ | 23⅜ | + ¼ |
| AT&T | 17982 | 23⅛ | 22¾ | 22¾ | + ⅛ |
| IBM | 17519 | 135⅝ | 134¼ | 134½ | + ¼ |
| AldStr s | 17379 | 64 | 63½ | 63¾ | |
| FedExp | 15258 | 66⅜ | 63¾ | 65 | +1⅛ |
| BorgWa | 13392 | 35½ | 34⅞ | 35¼ | + ⅝ |
| PepsiC s | 12812 | 26⅞ | 25¾ | 26½ | + ¾ |
| WnAirL | 12569 | 12 | 11⅝ | 11⅞ | |
| HewlPk | 12545 | 38⅝ | 37⅝ | 38½ | +1⅜ |
| Exxon | 12244 | 68 | 66⅝ | 67⅛ | + ⅜ |
| FordM s | 11334 | 53⅝ | 53 | 53 | + ¼ |
| Mobil | 11029 | 38 | 37½ | 37¾ | + ⅜ |
| MACOM | 10921 | 14⅞ | 14¼ | 14⅜ | — ½ |
| AmExp | 10770 | 56¼ | 54⅝ | 56¼ | +2 |

### Dow Jones Bond Averages

| | Close | Ch'ge |
|---|---|---|
| Bonds | 90.75 | + 0.09 |
| Utilities | 91.75 | + 0.15 |
| Industrials | 89.75 | + 0.04 |

### Market Sales

| | |
|---|---|
| NYSE 4 p.m. volume | 124,880,000 |
| NYSE prev. cons. close | 140,316,480 |
| Amex 4 p.m. volume | 9,168,000 |
| Amex prev. cons. close | 7,158,000 |
| OTC 4 p.m. volume | 108,811,800 |
| OTC prev. 4 p.m. volume | 82,373,400 |
| NYSE volume up | 80,518,110 |
| NYSE volume down | 28,078,330 |
| Amex volume up | 4,428,200 |
| Amex volume down | 2,530,260 |
| OTC volume up | 52,737,181 |
| OTC volume down | 21,979,917 |

### NYSE Diary

| | Close | Prev. |
|---|---|---|
| Advanced | 1087 | 387 |
| Declined | 546 | 1203 |
| Unchanged | 442 | 398 |
| Total Issues | [illegible] | 1988 |
| New Highs | 14 | 12 |
| New Lows | 14 | 21 |

### NYSE Index

| | High | Low | Close | Ch'ge |
|---|---|---|---|---|
| Composite | 134.17 | 133.21 | 133.44 | + 0.83 |
| Industrials | 152.48 | 152.22 | 152.48 | + 1.04 |
| Transp. | 116.64 | 115.19 | 115.74 | + 1.27 |
| Utilities | 72.43 | 72.14 | 72.24 | + 0.12 |
| Finance | 141.18 | 140.40 | 140.75 | + 1.06 |

### Odd-Lot Trading In N.Y.

| | Buy | Sales | *Short |
|---|---|---|---|
| Sept. 29 | 183,469 | 387,118 | 13,914 |
| Sept. 26 | 174,519 | 366,138 | 33,882 |
| Sept. 25 | 197,267 | 402,140 | 4,392 |
| Sept. 24 | 230,719 | 408,859 | 22,850 |
| Sept. 23 | 234,932 | 444,797 | 41,453 |

*Included in the sales figures

# Tuesday's NYSE Closing

*Via The Associated Press*

### Dow Jones Averages

| | Open | High | Low | Last | Chg. |
|---|---|---|---|---|---|
| Indus | 1761.29 | 1790.26 | 1750.14 | 1767.58 | + 12.38 |
| Trans | 791.13 | 809.63 | 788.50 | 800.25 | + 10.62 |
| Util | 190.51 | 202.14 | 197.79 | 199.71 | + 0.87 |
| Comp | 699.10 | 711.61 | 695.56 | 703.43 | + 5.08 |

### AMEX Diary

| | Close | Prev. |
|---|---|---|
| Advanced | 344 | 197 |
| Declined | 234 | 382 |
| Unchanged | 216 | 222 |
| Total Issues | 794 | 801 |
| New Highs | 7 | 4 |
| New Lows | 16 | 16 |

### Standard & Poor's Index

| | High | Low | Close | Ch'ge |
|---|---|---|---|---|
| Industrials | 258.11 | 254.26 | 256.06 | + 1.80 |
| Transp. | 193.55 | 190.80 | 191.80 | + 1.50 |
| Utilities | 109.57 | 109.03 | 109.09 | — 0.12 |
| Finance | 24.91 | 24.59 | 24.88 | + 0.21 |
| SP 500 | 233.01 | 229.91 | 231.32 | + 1.41 |
| SP 100 | — | — | 219.42 | + 1.64 |

### NASDAQ Index

| | Close | Ch'ge | Week Ago | Year Ago |
|---|---|---|---|---|
| Composite | 350.47 | + 2.84 | 353.37 | 281.77 |
| Industrials | 344.16 | + 3.06 | 347.78 | 286.29 |
| Finance | 482.84 | + 3.10 | 483.18 | 346.60 |
| Insurance | 425.20 | + 4.71 | 429.14 | 331.73 |
| Utilities | 316.43 | + 2.48 | 321.47 | 262.92 |
| Banks | 403.70 | + 0.96 | 409.55 | 297.62 |
| Transp. | 322.95 | + 2.74 | 321.09 | 257.99 |

### NASDAQ Diary

| | Close | Prev. |
|---|---|---|
| Advanced | 1,197 | 645 |
| Declined | 835 | 1,419 |
| Unchanged | 2,392 | n.a. |
| Total Issues | 4,424 | n.a. |

### AMEX Most Actives

| | Vol. | High | Low | Last | Chg. |
|---|---|---|---|---|---|
| Wickes | 7356 | 4⅝ | 4½ | 4½ | |
| BAT | 3742 | 6⅞ | 6⅝ | 6¾ | + ⅛ |
| NwLine n | 3617 | 8 | 7¾ | 8 | |
| TexAir | 3201 | 34¾ | 33⅝ | 34¼ | +1⅛ |
| HmeGp | 2926 | 19⅝ | 19 | 19 | |
| HmeSh s | 2744 | 43⅝ | 42 | 42⅛ | —1⅜ |
| WangB | 2653 | 13¼ | 12⅝ | 12⅝ | — ⅝ |
| ImpOil g | 2284 | 33½ | 33 | 33¼ | + ⅛ |
| AM Intl | 1962 | 5⅜ | 5 | 5¼ | |
| Mayflw | 1720 | 27⅝ | 27 | 27⅝ | — ⅛ |
| DWG | 1646 | 2½ | 2⅜ | 2½ | + ⅛ |
| Spctrm s | 1464 | 12½ | 12½ | 12½ | |
| FAusP n | 1462 | 8⅝ | 8½ | 8⅝ | + ⅛ |
| EvrJ A | 1386 | 12¼ | 11⅞ | 11⅞ | — ⅜ |
| Amdahl | 1356 | 20¼ | 19½ | 20⅛ | + ⅝ |

### AMEX Stock Index

| High | Low | Close | Ch'ge |
|---|---|---|---|
| 260.80 | 259.50 | 260.69 | + 1.01 |

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

# NYSE Gains; Trading Moderate

*United Press International*

NEW YORK — Prices on the New York Stock Exchange advanced in moderate trading Tuesday. Traders said stocks were aided by a firm bond market, a strong dollar and last-minute purchases by money managers sprucing up their portfolios as the third quarter ended.

A late round of profit-taking more than halved the advance, however. The Dow Jones industrial average finished at 1,767.58, up 12.38. Two hours earlier, the Dow had been up more than 27 points.

The Dow has dropped 125.14 points from its June 30 close at 1,892.72, the end of the second quarter.

Gainers outnumbered losers by a ratio of almost 2-to-1. Broad market indexes edged higher. The New York Stock Exchange composite index added 0.83 to 133.44; Standard & Poor's 500-stock index rose 1.41 to 231.32, and the price of an average share rose 22 cents.

Volume was 124.88 million shares, up from 115.61 million on Monday.

Traders said money managers spent the day either "sitting on their hands" or making last-minute portfolio adjustments, buying the quarter's best performers and trimming positions in weaker issues.

The market also got a boost from a firm bond market and a stronger dollar, they said.

The dollar climbed after the U.S. government reported a merchandise trade deficit for August that was smaller than had been expected.

The trade data also helped bond prices, alleviating concerns that foreign investors might find dollar-denominated securities unattractive. The Treasury's bellwether 30-year bond gained just over 1 point from Monday's close, or slightly more than $10 for every $1,000 of face value.

Elliot Fried, director of equity research at Shearson Lehman Brothers, said the market would need most of the fourth quarter to regain the confidence that was damaged in the past three months.

Economic data for October and November will reflect the beginning of a mild economic pickup, Mr. Fried said. During this period, he said, stock prices will remain volatile, not gathering upward momentum until near the end of the year.

USX was the most active NYSE-listed issue, rising ¼ to 23⅜.

Syntex followed, falling 1⅝ to 54½. Syntex said activity in its stock might be related to a Food and Drug Administration advisory committee meeting Tuesday on a new Syntex drug for treating angina and hypertension.

AT&T was third, edging up ⅛ to 22¾.

In the technology group, IBM rose ¼ to 134½, Digital Equipment eased ⅛ to 89⅞, Cray Research rose 1 to 76⅝, and Burroughs climbed 1½ to 70¾. Hewlett-Packard jumped 1⅜ to 38½; the stock had been under pressure for several days.

Airline issues, which began showing better profits in the third quarter, finished ahead Tuesday. UAL rose ⅜ to 57, AMR climbed 1 to 56⅝, Delta advanced ⅜ to 43⅞, TWA added ⅜ to 25⅝ and Pan American edged up ⅛ to 5⅜.

(Continued on Page 10)

International Herald Tribune Special Financial Report Wednesday, October 1, 1986

# World Banking

## For World Bank, IMF: A Long, Complex Agenda

*Pedro-Pablo Kuczynski, managing director of the First Boston Corporation and co-chairman of First Boston International, is currently writing a book on the Latin American debt question for the Twentieth Century Fund. He is co-author, with Bela Balassa, Gerardo Bueno and Mario Henrique Simonsen, of "Toward Renewed Economic Growth in Latin America," published by the Institute for International Economics in Washington.*

By Pedro-Pablo Kuczynski

NEW YORK — In our recent book, "Toward Renewed Economic Growth in Latin America," published by the International Institute for Economics in Washington, we argued that the restoration of growth in the high-debt countries, which are mostly in Latin America but also include others notably the Philippines, requires policy reforms in the debtor countries and a significant inflow of capital.

While there is nothing very original about that, the difference with the last decade is that a substantial part of the needed capital inflows, at least in the immediate years ahead, will have to come from public sources. At least that is so until private capital, especially direct investment and the reflow of flight capital from abroad — the two go together — starts responding to meaningful improvements in the economies of the debtor countries.

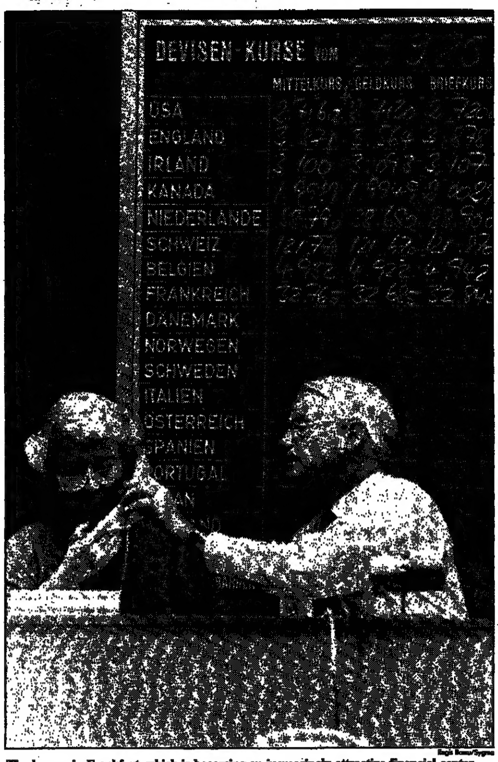
The course of action we advocate is not an easy one. First, commodity prices are depressed. Except for Brazil, which relies on manufactures for half its export earnings, the other debtors depend on commodities for 80 percent of their merchandise export earnings. As a result, even though the export volume of the Latin American debtors went up 18 percent from 1980 to 1985, the value of Latin American exports has been stuck at around $95 billion to $100 billion a year since 1980. The main cause of worldwide commodity depression is the gradual decline of economic growth since the early sixties, when the reconstruction of Europe and Japan was mostly completed. No amount of jawboning can change that fact.

Second, even though international interest rates have fallen drastically in the last two years and interest on the external debt has declined correspondingly, the real burden of debt service has declined only marginally, largely because the purchasing power of the debtors' export income has declined. Third, skepticism has been voiced about whether public-sector institutions such as the International Monetary Fund and the World Bank, whose staffs are to a large extent made up of economists bred and schooled in the civil service, have the experience to effectively help economically hard-pressed nations adopt politically difficult market-oriented reforms.

Nonetheless, there is little choice, so that, at least in the near future, the public international financial institutions are bound to play an even bigger role than in the last few years.

The IMF played a major role as financial doctor and emergency financier after the debt crisis broke in 1982 but it spent its ammunition quickly, and by 1984, when involuntary lending from commercial banks started to flag, the fund, despite a politically painful increase in its resources in 1983, did not have very much money left for the debtors. The money that was available was in the higher credit tranches and big debtors such as Brazil and Mexico did not want to accept the conditions that would have accompanied such credit.

Continued on page 14




The bourse in Frankfurt, which is becoming an increasingly attractive financial center.

## Pressure Eases Slightly On Third World Debt

By Edward Roby

BONN — A sudden plunge in oil prices this year spawned a new challenge to the carefully nurtured belief that the Third World debt crisis is finally under control.

The oil price collapse, coinciding with triple-digit inflation and stalled growth, undercut Mexico's ability to service its foreign debt of nearly $99 billion, setting the stage for another international rescue mission.

The scenario looked distressingly familiar. The international indebtedness crisis had, after all, gotten attention four years ago with news that Mexico could no longer service a foreign debt that was then only $80 billion.

Other developing countries heavily in debt soon followed suit as the prices of raw materials hit one of their periodic troughs toward the end of 1982. The specter of a domino-like collapse began to stalk the financial community.

Since then, total Third World foreign debt has swelled by about a quarter and is expected to top the $1-trillion level before the end of 1986. Yet the crisis mood in banking circles has gradually yielded to the conviction that the problem is manageable on a case-by-case basis, even if there is no ultimate solution in sight.

A spell of economic recovery took some pressure off the indebted countries and gave banks a chance to prepare for future shocks. South Korea and India sharply reduced their current account deficits, and Brazil and Turkey were able to post surpluses.

The decline in interest rates also had a strong, positive impact on the debt burden, although factors such as agricultural and raw materials prices and the declining dollar have cut both ways.

Indeed, the depressed oil prices that will cost Mexico, Nigeria and Venezuela $17 billion in lost oil revenue this year came as a blessing to other troubled big-time borrowers. Brazil, which is struggling with a huge foreign debt of $107.3 billion, should alone save $3 billion on its oil import bill.

> The decline in interest rates has also had a strong, positive impact on the debt burden.

Sinking rates eased debt servicing because much long-term borrowing was done at variable interest. The International Monetary Fund has estimated that every percentage point drop in rates reduced the net debt service burden of the debtor countries by $3.25 billion.

The benchmark London interbank offered rate (Libor) has sunk around 10 points since it hit 17 percent in 1981. The cheaper dollar also reduced debt service on a weighted basis. But it meant that Third World exports of dollar-priced raw materials also earn less. Third World producers have countered by devaluing their currencies.

A dose of austerity, some fresh money and deferred repayment schedules also steadied some faltering debtors. But the global economic recovery that might have completed the cure has lost momentum partly because of weakening growth in the United States.

The Washington-based Inter-American Development Bank lamented in its latest annual report that Latin America, which has the highest concentration of foreign debt, is mired in a deep recession aggravated by the flight of capital to industrialized countries.

Argentina, Mexico and Venezuela would not have a foreign debt problem if they could only repatriate the vast amounts of capital their own jittery citizens have been investing abroad, bankers say. Ironically, the U.S. banks that are most dangerously exposed in terms of the spectacular Latin American debt are among the main repositories of this fleeing Latin American capital.

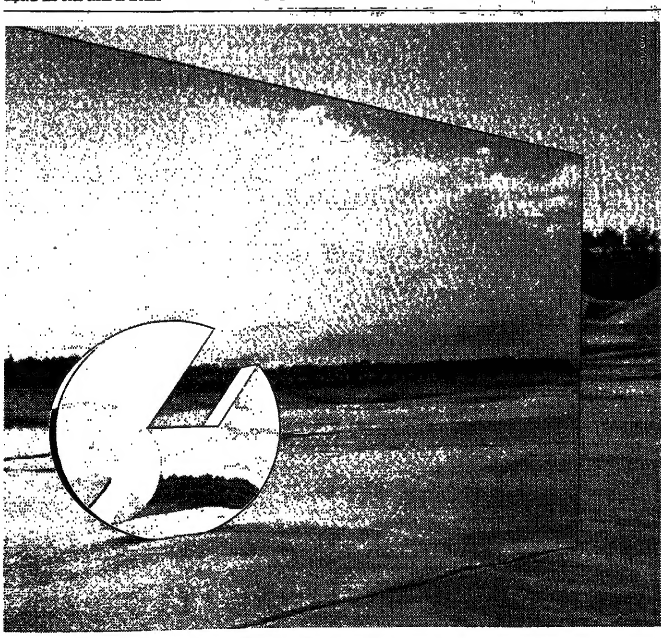
The international banks that are holding around two-thirds of the shaky Third World debt have sharply curtailed their lending to problem countries just when the debtors seem to need it more than ever. The wary banks have been building their risk reserves, leaving governments and international institutions to take over much of the emergency loan arrangements.

About 40 debtor countries have required 150 different loan rescheduling agreements involving $200 billion in the past 10 years. The main beneficiaries were Brazil and Mexico, and 40 percent of the financing came from the United States.

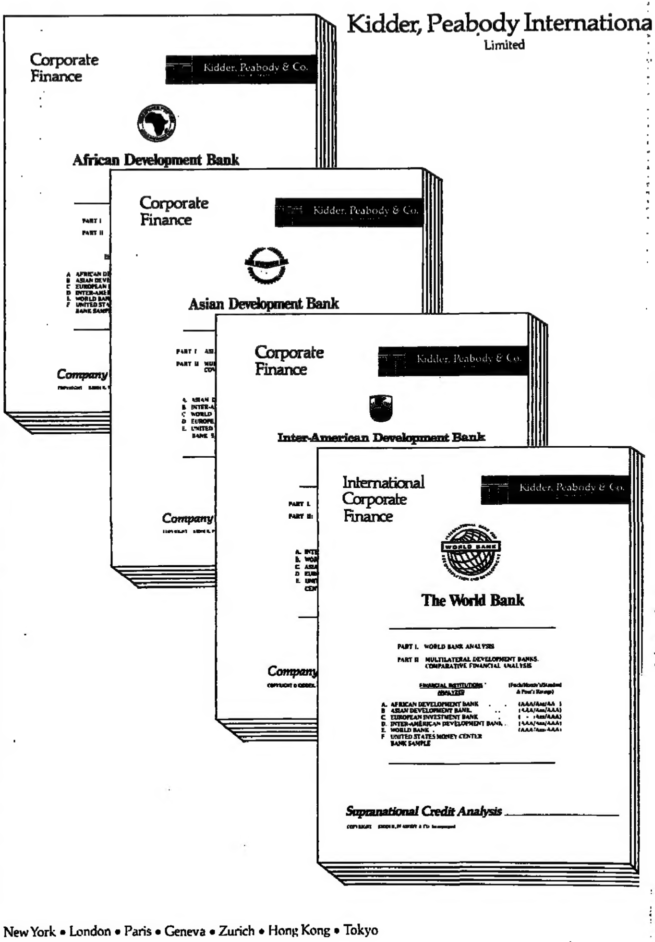
Current negotiations on refinancing the Mexican debt should provide the first major test of the Baker plan, which has been hailed as a new approach to managing the global debt crisis. Bankers have responded favorably to the plan although some continue to demand still more commitment from the governments.

"The banks have only seen the outlines of the program so far," said Helmut Geiger, president of the German Savings Bank Association, which includes large state banks with considerable foreign debt exposure. "The devil is in the details."

Continued on page 14







A SPECIAL REPORT

Helmut Schmidt — James A. Baker 3d — Paul A. Volcker — Alan García Pérez

# 'Debt Mountain' Grows

By Giles Merritt

BRUSSELS — The alarm bells that four years ago first alerted the world to the international debt crisis are ringing insistently again. The "debt mountain" piled up by Third World borrowers remains as unstable as ever and is expected to top $1 trillion by the end of the year.

Cheaper oil and marginally lower interest rates this year have helped a little to ease the crisis. But many of the world's 120 or so poorer debtor nations are hard put to pay the interest required to service their loans, let alone repay them. They need massive further loans if they are to develop their economies enough to break out of the vicious circle of unrepayable debt.

There is, therefore, mounting anxiety in the international agencies most concerned with debt that, despite the public attention focused on it, the problem is still being allowed to fester.

The Inter-American Development Bank recently reported that Latin America's debt service payments since 1982 have totaled nearly $100 billion and exceed the region's original borrowings before that date. Now, of course, Latin America's debt is much larger and stands at $370 billion.

In sub-Saharan Africa the situation is worse, for the economic pressures of the debt crisis are frequently a matter of life and death. The precise amount of the 44 poorest African countries' external debt is not clear. However, it probably totals $115 billion to $125 billion, and the interest payments on that are eating up money that could otherwise be spent on structural programs to combat famine. Over a third of black Africa's vital export earnings are being siphoned off to service international loans.

Proposals on dealing with the debt question have begun to proliferate. A number suggest fine-tuning the stalled Baker plan to make the year-old debt restructuring proposals of U.S. Treasury Secretary James A. Baker 3d more palatable to the commercial banks. Although it is very much in the banks' interest that Third World debt be stabilized, they are reluctant to come forward with the $20 billion in new credits that the plan demands.

There is, meanwhile, considerable disagreement among the creditor nations concerning the seriousness of the situation. Helmut Schmidt, the former West German chancellor, warned recently that the outstanding debt of the least developed countries should be canceled because it can never be repaid.

However, Paul A. Volcker, chairman of the U.S. Federal Reserve Board insists that, with the possible exception of a few African borrowers, most nations should still be able to service their debts.

It is, of course, essential to the Western banking community in general, and that of the United States in particular, that they continue to do so. The nine leading U.S. banks, which made major loans to Third World governments in the late 1970s, currently have Third World debts amounting to almost 250 percent of their combined assets and reserves. Those banks are Bank of America, Citibank, Chemical Bank, Chase Manhattan, Morgan Guaranty Trust Manufacturers Hanover, Continental Illinois, Bankers Trust and First National of Chicago.

If Mexico, Brazil and Argentina, for instance, were to withhold their debt repayments for one year, that would wipe out an estimated 18 percent of the capital worth of these nine banks. In reality, of course, it would no doubt first trigger panic among the several hundred commercial banks around the world that are stuck with irrevocable Third World loans.

The chances of a debtor nation deliberately repudiating its loans and refusing to pay either interest or principal now seem slim, despite Peru's defiant announcement in July of last year that it would be limiting payments on its $14-billion foreign debt to 10 percent of its export earnings. As a result, Peru has been blacklisted from further International Monetary Fund loans, and all sides have become more aware that flexible new techniques are needed to prevent a North-South confrontation.

Proposals to ease the pressure on debtors concern various ways of linking future IMF loan conditions to commodity prices. Mexico recently negotiated a $1.6-billion loan on terms that will reflect oil prices, and Argentina is proposing a similar package linked to world food prices.

Other plans gaining popularity in Latin America include debt-for-equity swaps. In these, multinational corporations have been buying up governments' foreign currency debts at a discount and then converting the funds back into local currency to finance new plant or sometimes takeover activities.

The scale of such swaps, analysts say, is too small to offer a wholesale solution to the debt crisis, although they could eventually help cut outstanding debts by 5 percent to 10 percent. A similar approach on a much larger scale is, however, being urged by a number of experts.

Professor Milton Friedman has advocated that banks recognize that their loans to Third World borrowers cannot be taken at face value. He suggests that they make a market in their Third World debts and trade them like any other paper.

Other suggestions include a new international agency that would buy up debts at a discount, and a British idea from Sussex University for "auctioning off" the debts. In this, the commercial banks would be offered the chance to compete in offering the most attractive terms for canceling out their loans.

The issue of international debt has been complicated by the sudden emergence of the United States as a major debtor, and by the slide into "intractable" indebtedness of countries like Australia.

The shoring-up of the Third World debt, meanwhile, leads to the politically charged question of what sort of additional funding and authority should be granted to the IMF to enable it to defuse the crisis.

# Latin American Recession Deepens

By William A. Orme Jr.

MEXICO CITY — The Latin American debt crisis is entering its fifth year with creditors ever more reluctant to lend and debtors increasingly loathe to borrow.

Yet the debt, estimated at nearly $370 billion, keeps growing, placing what Latin Americans say is an intolerable strain on their stagnating economies.

Almost no one expects the debt to be repaid. Yet since 1982, Latin America has spent 36 percent of its export income on interest payments, doubling the debt-servicing burden of the 1970s. In the region's biggest economies — Brazil, Mexico and Argentina — debt payments now consume half of all hard currency earnings. New, voluntary lending has virtually ceased. Real per-capita income has slipped back to the levels of 10 years ago, moving the United Nations Economic Commission for Latin America to term the 1980s "a lost decade."

'There is little hope of Latin America emerging from the recession until it can stop transferring resources abroad.'

In its annual report in September, the Inter-American Development Bank noted pointedly that in the last four years Latin America has fallen deeper into a "dangerously lengthening" recession while paying more than $100 billion in interest to foreign banks.

"There is little hope of Latin America emerging from the recession until it can stop transferring resources abroad," the report said.

Innovative plans for slowing or even reversing this transfer are myriad. On the debtor side of the table, negotiators have proposed fixed-rate interest capitalization plans, the conversion of debts into multilaterally backed zero-coupon bonds and mechanisms linking interest payments to commodity prices. Latin government experts argue that precedents for such measures can be found in U.S. government-backed bailouts of giant companies like International Harvester, whose creditors placed interest-rate caps on long-term restructured loans.

Bankers object to many of these proposals, pointing out that they would require changes in government regulations and further postpone debt repayment. Moreover, they argue, agreements calling for automatic future lending or interest relief would keep borrowers away from the bargaining table. Creditors now use rescheduling talks and fresh loan negotiations to press debtors for economic policy reforms, bankers say. . . .

There is also a diminishing sense of urgency about the Latin debt in many private banks, which since 1982 have diversified their portfolios to protect against possible defaults. And for most debtors, creditors contend, falling interest rates and oil prices preclude any need for radically eased repayment plans.

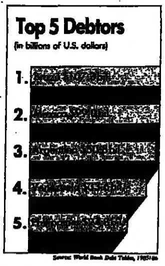
Mexico, the major exception to this rule, is seeking billion in fresh loans, despite opposition to new borrowing within the country and among many bankers abroad. With this new loan package — to be provided equally by private and official lenders — Mexico's foreign debt next year will swell to about $110 billion, surpassing Brazil's $107.3 billion as the Third World's largest.

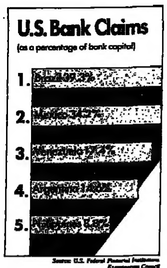
The Brazilian and Mexican debts remain larger than those of the next three largest Latin debtors combined: Argentina owes $50.8 billion, Venezuela $33.6 billion and Chile $20 billion.

Commercial banks appear more enthused by plans to whittle away debt principal by converting loans into capital investments, a practice pioneered in Chile. Foreign investors in the region are now indirectly purchasing an estimated $1 billion in discounted loans to Latin countries; under new but already widespread rules, the loans are redeemed in local currency, which is then injected into the investors' local subsidiaries.

The World Bank's International Finance Corp., seeking to facilitate these transactions, is planning to take an active role in exchanging debt for equity stakes in Mexican companies.

Rescheduling agreements, meanwhile, are rolling over old loans on steadily longer terms. Mexico, which in 1983 rescheduled payments for seven years and in 1985 signed a then-unprecedented 14-year restructuring pact, is now asking banks to stretch payments out over the next 25 years. In signing in July an 18-month, $1.6-billion standby loan accord with the IMF, Mexico also secured IMF promises of compensation for any further erosion in oil prices.




Venezuela and Argentina, which recently rescheduled payments over 12 years, are waiting for Mexico's talks to conclude before they demand similar terms. Venezuela, with a fat cushion of $15 billion in foreign reserves, is in a more comfortable position, yet President Jaime Lusinchi is demanding interest payment relief as a result of the oil price collapse.

Argentina, adhering more closely to the Mexican model, is negotiating a $1.5-billion IMF agreement that includes a $300-million credit to ease the impact of falling grain prices. The Argentines are asking private banks to provide $1 billion in new loans while talks to restructure old debts get under way.

While repayments schedules have lengthened, bank profit margins are falling, further reducing debt servicing. Mexico, usually in the negotiating vanguard, won a commitment last year to cut the spread it pays over the London interbank offered rate (Libor) to 1.125 percentage this year and 0.875 percent in 1987, less than half the 1.95 percent it had agreed to in its 1983 debt accord.

Now the Mexicans are asking for the spread on new loans and past debts to be eliminated entirely — a demand that dismays bankers who expect the Mexicans will achieve at the least a precedent-setting reduction to 0.250 percent or even 0.125 percent over Libor.

Yet while interest reductions and amortization stretch-outs have cut debt payments, most debtors have suffered sharp declines in export earnings. The result is that debt servicing, measured against foreign exchange income, remains unacceptably high.

Explicit linkage between debt payments and foreign income is championed by President Alan García Pérez of Peru, who has cut his country's servicing outlays to 10 percent of export earnings. In the process, he has defiantly broken commitments to the International Monetary Fund and left many bankers convinced that Peru's $14-billion debt will never be fully serviced or even partly amortized.

Few, if any, other Latin leaders appear prepared to follow Mr. García's militant anti-IMF line. Yet most now openly support his position that debt payments should be limited to a tolerable fraction of fluctuating hard currency earnings.

Acceptance of this principle was the keystone of Mexico's novel IMF accord that ties new financing to oil prices: If petroleum falls below $9 a barrel, Mexico automatically receives more new loans from private and multilateral lenders. Japan and West Germany, among other industrialized nations, are reportedly opposed to extending this treatment to other debtors.

But Venezuela and Ecuador point out that they are as dependent on oil as Mexico; Argentina argues that its debt commitments should reflect variations in wheat exports, while Bolivians say they need relief from falling tin futures. When coffee prices plunge again, bankers expect to hear from Colombia and the Central Americans.

Among creditors, response to these demands for concessions has been divided. Increasingly, analysts say, the major U.S. banks appear isolated in continuing to favor further lending. European banks, though differing on many details of Latin loan management, are generally more open to such alternatives as debt write-offs and interest capitalization, according to Latin debt negotiators.

Mexico, which triggered the debt emergency four years ago by suddenly suspending principal payments, is again at the cutting edge of the crisis. Mexican officials have threatened to send interest payments to a central bank escrow account unless creditors quickly disburse new loans and lighten the country's servicing load. But if banks refuse to link interest payments to oil prices while acceding to massive new lending, the Mexican rescue pact will not offer a new framework for resolving the Latin debt problem, analysts say.

Some financial observers think Brazil, rather than Mexico, may eventually force creditors to accept substantive changes in their handling of Third World debt.

Brazil, unlike Mexico, is negotiating from a position of strength. Falling oil import costs and a strong export-manufacturing base have given the country a robust trade balance and an impressive 7-percent growth rate for the second straight year.

The Cruzado plan, a wage and price-freeze program based like Argentina's similar but less successful Austral plan on the issuing of a new currency, has won support internally and abroad by bringing inflation below 20 percent this year, as opposed to 235 percent in 1985.

Brazil's budget deficit, although larger than projected, is expected to reach about 4 percent of the 1986 GDP, as opposed to Mexico's 17 percent. Most importantly, as the caretakers of a young democracy, Brazilian leaders can convincingly argue that continued high debt-servicing costs could bring down their government.

President José Sarney of Brazil, refusing to enter into a new IMF accord, recently rescheduled $31 billion of Brazil's $107.3-billion debt and is demanding further concessions from creditors. In a September visit to the United States, he warned that Brazil must cut debt payments in order "to import the goods we need to sustain our growth" and eradicate the country's "pockets of absolute poverty."

# West German Banks Balk at Controls, Seek Markets Elsewhere

By Edward Roby

FRANKFURT — Sweeping structural changes in the international financial markets have confronted West German bankers with a dilemma.

The country's largely unregulated "universal" banking system has nurtured a number of sophisticated full-service banks that are well-equipped to take on the toughest international competitors in investment as well as commercial banking.

However, lingering controls on domestic financial markets have denied these banks some of the freedom of action that their free-wheeling rivals enjoy in major global financial centers like New York and London.

Driven by a determination to keep up with the needs of their large commercial customers, some of the West German banks have opted to go where the action is. It is an open secret in West German banking circles that the decision by Deutsche Bank, the country's largest, to set up a major capital markets operation in London last year triggered some recent moves to deregulate the capital market at home.

In May 1985, Bundesbank dropped its de facto ban on issuance of floating rate notes, zero coupon bonds and bonds linked to interest and currency swaps in domestic markets.

This so-called residual liberalization has enhanced Frankfurt's attractiveness as a financial center. And it has also lured additional foreign banks to Frankfurt, partly because the central bank also decided to let the foreigners manage the issuance of Deutsche-mark Eurobonds for the first time.

The liberalization step was followed this year by a partial relaxation of Bundesbank's minimum reserve requirements and an end to the prohibition on the issuance of certificates of deposit. But another obstacle, the country's transfer tax on securities, is still helping to keep Frankfurt out of the major league of financial centers.

The big German banks, meanwhile, have been busy expanding their foreign operations, particularly in the burgeoning arena of investment banking. Native caution has kept them from plunging headlong into the tempest of exotic new instruments being dealt increasingly by foreign competitors in London and New York, but they are starting to get their feet wet.

Deutsche Bank, through its London operation, in mid-September became the first West German bank to handle a large, complex financing package for a domestic company that will make use of several new instruments.

The deal, especially tailored to the requirements of a large metals and trading company, features revolving long-term credits and short-term Eurocredits in various currencies as well a dollar-denominated Euronote offering.

The avowed goal of Deutsche Bank's international investment banking strategy is to be represented in all important financial centers by its own securities units.

In addition to the new London capital markets unit, in which foreign currency issuing business is now concentrated, the bank obtained a Japanese license to operate a Tokyo securities unit in partnership with two German industrial companies. It opened last May.

Deutsche Bank also recently opened an investment bank in Australia and launched this year in New York a mutual fund aimed at U.S. investors interested in German securities.

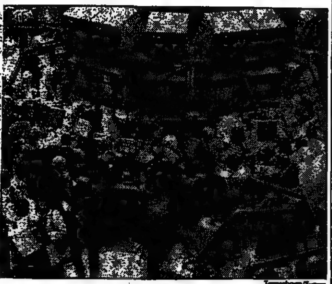
Westdeutsche Landesbank Girozentrale (WestLB) responded to the international challenge in September with an announcement of a major structural reorganization. WestLB, which ranks among West Germany's four largest banks, is lumping its international and domestic securities business as well as most international lending operations into one unit under the direction of Axel Kollar, a member of the managing board.

WestLB, like no. 2 ranked Dresdner Bank, is seeking to license a securities unit in Japan. Mr. Kollar said he expects that this will be granted soon. "The German banks are determined to play an influential role in the international market," he said.

The head of Commerzbank, Walter Seipp, on hand for listing of one million shares of his bank's stock on the Tokyo exchange, told Japanese financial analysts in September that the licensing by their government of a new securities subsidiary called Commerz Securities Ltd. of Japan seemed imminent. The new company, in which two German industrial companies will also have a half interest, is to open at the start of next year.

Deutsche Genossenschaftsbank (DG Bank), the central institution of a vast German cooperative system with assets of more than 507 billion Deutsche marks, also has branches in the world's major foreign markets.

The bank is actively expanding its foreign financial services and has targeted markets in China, Japan and the United States. The most recent moves include the establishment of an office in Atlanta and applications to license investment banking units in Singapore and Tokyo.



Monitoring world trading on Wall Street. Tannenbaum/Sygma

# Equity Financing Is 'In' on World Capital Markets

By Lillian Chew

LONDON — With the world's major stock markets reaching new highs, equity-related financing has become popular this year in international capital markets. This was particularly true for Japanese and European companies, which have reduced the cost of their borrowings on the back of foreign demand for their shares.

U.S. companies also took advantage of the soaring Dow Jones index to issue equity-related debt, but only in the domestic U.S. market. For the first four months of this year, 82 convertibles worth $5 billion were launched in the United States, which on an annualized basis represented a 35-percent increase over last year.

But their offerings in the Euromarkets have been concentrated in the straight debt market, where they have been active users of currencies such as the Australian dollar or the Swiss franc.

Straightforward equity financing is more expensive than debt financing. However, when it is coupled with debt, in the form of debt cum equity warrants or convertibles, it brings down the cost of debt substantially.

For example, Japanese companies have traditionally been the most highly leveraged among the industrialized giants. Based on the Morgan Stanley Capital International Indices, the average debt to equity ratio of the major Japanese industries is 3:6 compared with 2:3 for West Germany and 1:2 for the United States.

The Japanese companies issued about $7.5 billion worth of long-term debt in the first half of this year. This accounts for 23.9 percent of the corporate Eurobond market compared with 20 percent last year, making them the second largest group of users, after American companies, of that market.

But more than half of their bond issues this year came with equity warrants or were structured as convertibles. Since the first Japanese warrant in 1982, at least 160 Japanese companies have raised money this way from well-known giants such as Sony to internationally obscure supermarket chains such as Chujitsuya.

Equity warrants give investors the option to buy shares while holding onto the bonds of the issuing company; with convertibles, investors convert their bonds into equity when the strike price on the shares is reached. Both substantially lower the cost of debt to a company.

Hiroshi Toda of Nomura International estimates that, on average, equity warrants allow an issuer to pay about 3.5 percent to 4 percent less — in coupon payments — than a straight dollar debt issue. The coupon savings on convertibles are even larger, about 5 percent.

Of the two equity-related instruments, warrants have proved more popular with the Japanese because the dollar proceeds from the bond portion of the issue can be swapped into yen. Convertibles cannot be swapped because the issuer does not know how many of its bonds will be converted. A Japanese company issuing U.S. dollar equity warrants at today's rates will probably pay a 3¼ percent coupon; by swapping the proceeds immediately, it would probably achieve yen funds at a cost of 1.5 percent to 2 percent.

Warrants also allow the borrower more flexibility. Vikram Pandit of Morgan Stanley said, "You can vary the maturity of the warrant and the debt any way you want. They don't have to match. So if there is some corporate finance reason why you would like a 20-year bond and only three-year warrants, you can structure it such, something which you cannot do with a convertible."

But American companies have shied away from equity warrants, primarily because the market for warrants in the United States is limited. Investment banks report that there is still a stigma attached to warrants that puts off institutional investors. In addition, warrants could be used by a potential predator to acquire equity in a company anonymously. With the hostile takeover almost the norm in the American corporate scene, this fear seems justified.

Japanese companies, on the other hand, do not have such fears since hostile takeovers are almost unheard of in Japan.

The same is true for the major European economies, except Britain where mergers and acquisitions have reached frenzied levels. The main European issuers of equity warrants are West German corporates, which come from an environment in which the hostile takeover is rare.

But to issue equity warrants, West German companies must ask their shareholders to forego their rights in having first crack at any new shares issued by the company. Their authorization is good for five years. Klaus Gärtner of Deutsche Bank reports that more and more German companies have applied for permission, resulting in giants such as BASF or Siemens issuing equity warrants to reduce their average cost of borrowing and to increase their capitalization.

Görz Kockelhorn, senior officer in charge of capital market financing at Siemens, said: "A zero coupon bond with equity warrants has many advantages for us. Based on an issued price of 58.9 percent and a par redemption value, this means we are paying 3.6-percent interest per annum. If we had done a straight U.S. dollar bond, we would have had to pay a 8- to 9-percent coupon for 15-year money. The warrants, if exercised, will result in three million new shares, allowing us to increase our shareholder equity."

But straight-debt financing is still the most popular Euromarket instrument, especially for U.S. companies. For the first six months of this year, over 175 U.S. corporations tapped the Euromarkets, raising $21.47 billion of long-term debt compared with 304 companies issuing $35.86 billion worth of bonds for all of last year.

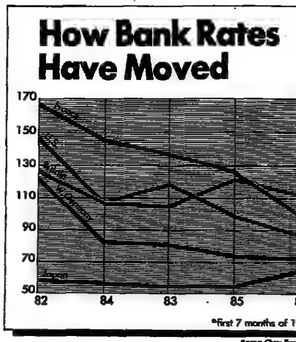
A SPECIAL REPORT

# Instability of Exchange Rates Brings New Calls for Reform

By Ken Ferris

LONDON — International monetary reform is now firmly back on the agenda 13 years after the fixed exchange rate system set up at the Bretton Woods conference in 1945 was abandoned.

The friction between the United States on the one hand, and West Germany and Japan on the other about how to tackle global trade imbalances emphasizes the incipient nature of the move toward closer international economic cooperation. But concerted intervention in foreign exchange markets, coordinated interest rate cuts and the target zones debate are evidence of a fundamental change in attitudes to the management of the world economy.




Before 1971, economic policy in all industrialized countries was constrained by the system of fixed exchange rates. Since the mid-1970s, most governments have floated their currencies and adopted monetary targets. But with the latter now in a state of flux due to distortions caused by changes in the world financial system, attention has switched to the promotion of closer economic ties between industrial countries.

The September 1985 meeting of the Group of Five — the United States, West Germany, Britain, Japan and France — marked a watershed in international monetary cooperation. The agreement reached in New York to drive the dollar down was made possible by the United State's acknowledgement that the dollar's value could no longer be left to market forces.

This change in the U.S. approach to the world economy was taken a step further when President Ronald Reagan, in his State of the Union address, directed Treasury Secretary James A. Baker 3d "to determine if the nations of the world should convene to discuss the role and relationship of our currencies."

The sharper focus on monetary reform follows the dollar's remarkable rise and fall during the 1980s. Since it peaked in February 1985, the dollar has fallen 40 percent against both the Deutsche mark and the yen. That has concentrated attention on the need to dampen currency volatility and to prevent excessive exchange rate misalignment.

Some observers believe that the U.S. drive for cooperation in international monetary matters will be short-lived. The 180-degree turn in official policy toward the dollar is striking and contrasts with the early days of the Reagan administration when it was the Japanese and West Germans who were calling for dollar depreciation rather than the Americans.

It is the worldwide trend toward capital market liberalization that has fostered the rapid buildup of internationally mobile liquidity and made possible the kind of speculative bubble that pushed the dollar to record levels in February 1985.

Latest figures from the Bank of England, the Federal Reserve Bank of New York and the Bank of Japan indicate that daily turnover on the foreign exchange markets is now above $200 billion. To put those figures into perspective, the Federal Reserve Bank of New York estimates that combined central bank intervention in the six weeks following the Group of Five's New York accord was just $10 billion.

The existence of footloose funds on such a scale has had a major bearing on exchange rate policy. Even the British Labor Party now concedes that exchange controls are not a realistic policy option.

The large pool of internationally mobile hot money is also the major factor behind increased volatility on the foreign exchange markets. The range within which currencies now trade is far wider than ever before.

Two recent studies are divided on whether intervention of the kind that followed the New York accord helps to reduce such currency movements. Lloyds Bank research reveals a volatility cycle. Quarterly movements of the dollar vs. the Deutsche mark, Swiss franc, yen and sterling peaked at 6 percent to 7 percent in 1973, 1978 and 1980. Lloyds expects this measure of volatility to fall to 4 percent this year following concerted central bank intervention.

However, the Royal Bank of Canada argues that, although Group of Five cooperation should dampen volatility in the long term, its immediate impact has been to sensitize financial markets to the "pronouncements and perceived intention of government policy-makers."

Liberalization of capital controls has also brought about a diversification in international reserve holdings. But the dollar remains the dominant currency. It accounted for 65 percent of total reserves in 1985 against 75 percent at the end of 1974.

Policy-makers believe the dollar's central role in the world financial system is a major constraint on international monetary stability.

Last year's study by the independent New York-based Group of 30, which was the most extensive survey of the worldwide foreign exchange markets yet undertaken, provided further evidence of the need for reform.

A majority of the banks, securities houses, corporations and investment funds polled by the Group of 30 felt that governments should do more to stabilize exchange rates. They emphasized that Group of Five style intervention was not enough and said that it should be supported by coordinated fiscal and monetary policies.


AP
Noburu Takeshita

Mr. Baker has already proposed that there should be some degree of "automaticity" in macroeconomic policy. And leading industrial nations agreed at May's summit meeting in Tokyo to consider the introduction of "objective indicators" by which each country's macroeconomic performance might be judged.

But, while West Germany and Japan agreed to the coordinated interest rate cuts that followed the summit, they remain wary of longer-term agreements. The then Japanese finance minister, Noburu Takeshita, stated bluntly that "mandatory policy goals or triggers are unrealistic".

Bundesbank President Karl Otto Pöhl is unconvinced that countries will accept the domestic policy consequences of maintaining exchange rates within set zones. He jealously guards his country's independent monetary policy — the lynchpin of the European Monetary System.

Nevertheless, there are signs of some flexibility. Mr. Pöhl showed an interest in a less formal approach over the summer, arguing that after the twin shocks of the dollar realignment and the oil price collapse, governments should "talk about a level of exchange rates which one should see as reasonable and acceptable for the time being."

Most countries are concerned that target zones would provide speculators with an opportunity to test central bankers' resolve. Opponents say that, until there is agreement on who should alter policy to hold rates within the bands, any initiative is doomed to fail.

Thus, while the New York accord has demonstrated the effectiveness of coordinated macroeconomic policies, a further advance requires a consensus that is yet to emerge.

# Globalization of the M&A Market

By Kevin Muehring

LONDON — When John Elliott, chairman of Elders IXL, the Australian conglomerate, bid last year for Allied Lyons, the U.K. brewing and food giant, it was Citicorp of the United States that made the acquisition possible by putting together a syndicate of banks to provide the £1.8 billion (about $2.6 billion) financing.

And when Lord Hanson made his £2.5 million bid for the Imperial Group, it was Chemical Bank that was to play an instrumental role in the success of the takeover by putting together billion-dollar backing over a weekend.

The Associated Press

These contested bids were just two of the more public acquisitions in the last year that underscore not only the increasing globalization of the mergers and acquisitions business among the predator companies looking to expand, but among the financial intermediaries as well. It also marks the entry by commercial banks into the turf formerly the exclusive domain of the investment and merchant banks.

Wall Street investment banks and boutiques such as First Boston, Morgan Stanley, Goldman Sachs, and Shearson Lehman Brothers, and U.K. merchant banks such as Morgan Grenfell, S.G. Warburg, and Hill Samuel have dominated the global mergers and acquisitions market. But they are rapidly being joined by a handful of commercial banks such as Citicorp, Morgan Guaranty, Bankers Trust, Chemical Bank and National Westminster.

Global mergers and acquisitions is becoming an increasingly important sector for the investment, merchant and commercial banks among their world banking services. And so are the lucrative fees that go with it. About a fifth of the deals advised by Wall Street mega-merger king First Boston have been international in scope, for instance, and nearly half of the U.K. merchant bank Hill Samuel's mergers and acquisitions revenues now comes from its international work.

The magazine Acquisitions Monthly estimates that the City of London reaped about £300 million in fees from the M&A activity last year. On Wall Street, First Boston alone is estimated to have reaped more than $100 million in M&A fees last year.

The predominant market for mergers and acquisitions is far and away the United States. In 1985, there were nearly $180 billion in M&A deals, with 36 deals worth $92 billion alone that were mega-bids of $1 billion or more. Easily the largest M&A market after the United States was the United Kingdom.

According to the statistics compiled by Acquisitions Monthly, by the end of 1985, there was a record 841 completed takeovers in the U.K. including 111 public takeovers worth £6.4 billion. Another £10.3 billion worth of deals was still pending at the end of the year.

M&A activity is expanding in the United Kingdom for the same reasons it did in the United States: large industrial companies are reversing the policies of the 1970s by divesting themselves of the peripheral business to concentrate on mainstream business.

Companies that survived the last recession are now in the position to expand and to do so more cheaply through acquisitions than from start-up situations. The M&A boom of the last five years has been also fueled by the lenient policy attitude taken by the Tory government of Prime Minister Margaret Thatcher.

There is a scattering of European acquisitions aimed at the United States, but the amount of inter-European acquisitions, or for that matter, U.S. acquisitions in Europe, is still relatively small when compared to the big English-language markets, including Australia. The biggest cross-border deal flow is the trans-Atlantic business between the United States and the United Kingdom, the bulk of which is U.K. companies looking for acquisitions in the United States.

"At least half of our business tends to be trans-Atlantic, of which 75 percent is European and British companies wanting to buy in the United States," notes Nahum Vaskevitch, who heads Merrill Lynch's international M&A operations from its London office.

In a sense, most of the banks and securities houses are simply following the increasing globalization of the multinational conglomerates, particularly those in the consumer and industrial markets. The core of any international M&A business is still the deals stemming from the cross-border expansion of a corporate client. The business is split into two distinct layers. The first is the public takeovers, which generates the most publicity, and fees, and the second is the even larger underflow of small- and medium-sized private and quasi-private transactions.

Both are taking place on the heels of the strong bull stock markets, the publicity of the cross-border hostile public takeovers, and certainly the aggressiveness of the banks. There has also been a growing cross-fertilization of concepts, techniques and tactics in one market to another. Divestitures are just one example. Europeans have tended to be culturally reluctant to divest, for fear it will be interpreted as a failure by shareholders. But that is changing.

"We now notice in talking to the European companies that they are increasingly sympathetic to considering divestiture as part of an overall program of restructuring," said Jeffrey Rosen, head of international mergers and acquisitions at First Boston.

The more successful financial intermediaries in the global M&A sweepstakes have played on that greater willingness to aggressively manage assets and to look across borders among the corporates by aggressively marketing an international expertise or network of contacts.

The American commercial and investment banks have clearly done so in the U.K.'s M&A market, for instance. Citicorp has muscled into several contested deals as well as a lucrative role in smaller leveraged buyouts and divestitures through the broad reach of its international branch network. Goldman Sachs has played an increasing role on the defense side of contested bids, among the more recent, its role in helping to successfully defend Standard Chartered against the £1.1 billion bid by Lloyds Bank last summer.

"Defensive M&A" has become more marketable in recent years by the Americans because they are marketing their expertise in the more rough-and-tumble U.S. defense tactics with a particular emphasis on valuation. And British management has been more susceptible to the marketing pitch in recent years, ever since the giant holding company Thomas Tilling was taken over by BTR in 1983. Elders' more recent bid for Allied Lyons, which given the go-ahead earlier this month was referred to the Mergers and Monopolies Commission due to its junk bond financing last winter, served to reinforce the point that size no longer ensures security.

"One area we see as an opportunity for us is providing advice to British companies that may see themselves as vulnerable," said Nicholas Alwyn of Paine Webber, who was recruited from Hill Samuel.

Likewise, U.K. merchant banks have penetrated the burgeoning U.S. merger market, largely by concentrating on the "deal flow" of foreign interest in the $10-million to $100-million range, which is not the natural habitat of the Wall Street giants. Morgan Grenfell and to some extent, Kleinwort Benson, has carved profitable niches in the middle market.

The merger mania seems to have slowed somewhat from last year's record levels. In the United States, the number of deals has dropped due to the grumblings from the Federal Reserve Board over the excessive use of junk bond financings, new tax rulings by the Internal Revenue Service eliminating some tax benefits, and a bull market run that has narrowed the number of conglomerates with undervalued assets ripe for takeover.

In London, although City firms stand to double their fees earned from M&A advisory work to $900 million this year, according to estimates by Acquisitions Monthly, the bulk of that has been the deals carried over from last year and a scattering of new deals booked in the first half of the year.

But there is still a wealth of the middle-sized deals that generate less publicity and quasi-private divestitures to keep the middlemen happy. Others point to France and its upcoming wave of privatizations, as well as elsewhere in Europe, as the next field to be exploited.

"There is still enough business for us to still have pretty late hours," said John Fordham, Hill Samuel's corporate finance director.

# Japan Acts to Stem Yen's Rise

*Special to the IHT*

TOKYO — After more than a year of watching the dollar slide against the yen, Japan's Ministry of Finance is once again easing restrictions on overseas investment so Japanese banks can place more of their vast funds overseas.

The government hopes to stem the yen's rise against the dollar, which it says has been too fast and has gone far enough.

But the yen's 40 percent rise since last September was triggered by Japanese and U.S. central banks to help redress the bilateral trade imbalance by making Japanese exports more expensive and lowering the prices of U.S. products in Japan. U.S. Treasury Secretary James A. Baker 3d said recently that the dollar must fall even further to do the job.

By encouraging overseas investment, the Japanese government continues to tinker with what has been one part of a two-pronged spur to the trade imbalance — its enormous capital outflows through banking and corporate investment.

Japanese banks' investment in U.S. securities helped keep the dollar high while a voracious American appetite for Japanese imports filled Tokyo's corporate coffers, leading to a politically explosive bilateral trade imbalance that hit $55.9 billion in Japan's favor last year.

Usually the cycle operates with the current account balance — the sum of trade and nontrade transactions, such as tourism or shipping — as a major factor in determining the exchange rate. As a country's current account balance increases, its currency strengthens and exports fall.

But in the early 1980s, Japan's rising current account surplus was more than offset by its capital outflows. Exporters' huge profits left them with large amounts of cash for investment, some of which they funneled back into their main businesses, but much of which went to investment in financial markets.

Japan's highly controlled markets had meanwhile not developed the wide array of alternatives for investment available overseas. The dearth of choice in Japan, a strong dollar, and the comparatively high interest rates and yields of U.S. securities drove investors to dollar-based instruments, which helped keep the greenback strong.

"There was no yen appreciation, so there was no braking influence on the exporters," said Peter Morgan, chief economist at Barclays de Zoete Wedd in Tokyo.

The yen finally hit bottom in February 1985 and by mid-1985 slowing export profits began to trim Japan's capital outflows. Last September, the United States, Japan, West Germany, Britain and France agreed to depress the dollar and immediately, concerted central bank intervention sent it tumbling.

The subsequent fall in crude oil prices boosted the yen further as Japan suddenly needed fewer dollars to pay for its oil.

David Gerstenhaber, economist at Morgan-Stanley International Ltd, calculates that a continued fall in oil prices to $20 per barrel or below will cut Japan's demand for oil payment dollars in 1986 by some $12 billion, an amount probably equivalent to at least one quarter of 1985 net long-term sales of the yen.

All of this should help ease trade friction. But because of technical lag known as the "J-curve effect," in which the trade balance dips to the extreme before reversing course, simulating a J-shape when plotted on paper, the short-term figures look worse than ever. As Japanese exporters raise their dollar prices in reaction to the yen's rise but demand does not ease off immediately, the total dollar value for exports grows. Against this, tally a sharp drop in import prices due to the fall in the price of oil, which accounts for about 30 percent of Japan's imports, and the trade surplus will soar to an estimated $60 billion or more this year.

Economists on both sides of the Pacific agree that exchange rates alone are not enough to achieve an equilibrium. The United States is urging Japan to stimulate its domestic economy and Japan is insisting that the United States must fix its own budget deficit.

Meanwhile, politicians on both sides face internal pressures that are played out as international trade friction. Japanese exporters have suffered precipitous falls in their profits due to the strong yen and are calling for relief from their government. Bankruptcies of small exporting businesses are at a high and traditionally low unemployment is rising.

Japan's economy is doing something not seen for several years — stopped growing. First quarter gross national product figures showed a 0.5 percent loss, the first loss in 11 years. The government has revised its prediction of a 4 percent GNP growth rate for 1986 through 1989 to 2.8 percent while private economists expect it will barely reach 2 percent.

On the U.S. side, Japan's trade surplus against the United States is blamed for many American economic ills and angry calls for protectionism are growing louder.

The United States has called on Japan to further lower its discount rates, which have already been cut to 3.5 percent this year. But Japan, reeling from the deflationary effects of the strong yen, is wary of expansionary fiscal policies that could trigger inflation.

Instead, Japan prefers to focus on "the restructuring of the economy" from its 20-year-old export-orientation to a new focus on domestic demand.

Last month the cabinet announced a new economic stimulus package totaling 3.6 trillion yen ($24 billion), designed to help spur housing construction, public works projects and consumer spending.

But economists are skeptical of its potential effect. First of all, the government has not stated where it intends to get the three trillion yen. Economists said that without the issuance of new government bonds, the package means almost nothing, but Prime Minister Yasuhiro Nakasone has been insistent that the government not increase its own debt.

How much domestic demand can grow is tied partly to fiscal stimuli and partly to the need for a total shift in Japanese psychology from working and saving to leisure and spending.

Various ministries are bureaucratically attacking these deeply-held values. The Labor Ministry has encouraged the establishment of two day weekends, more holidays and shorter hours, giving people more time to spend money on recreation. The Ministry of International Trade and Industry has held repeated promotional drives to crack the Japanese mindset that favors goods made in Japan.

And the ministry is working on a new tax system that may hold the biggest key to domestic spending yet: unlocking Japanese savings.

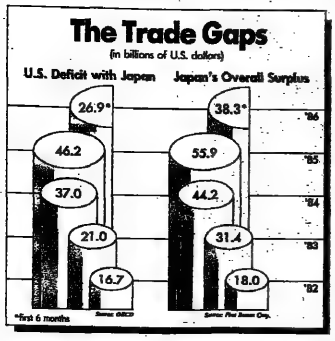
Although the new package at first glance seem to lack punch, their timing was critical. The announcement came just before a Group of Five meeting in Washington in September, a prelude to the International Monetary Fund's meeting there.

The new package backs up Japan's claim that it is trying hard to restructure its economy. The package, which calls for expanding development assistance, will also help ward off criticism at the IMF that Japan is not fulfilling the responsibilities of a world economic leader by spending more of its surplus on developing nations.

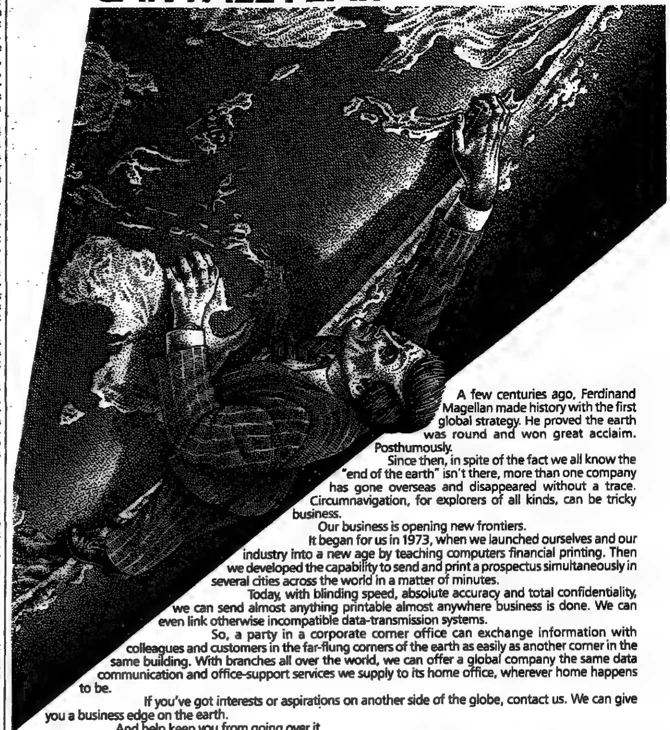
At the same time, Japan hopes the package will serve as some kind of shield to attack from the United States as elections draw near.

Trade experts in the United States have repeatedly said that if the Japanese do not start buying more from the United States, the United States will shut out Japanese products.

A bill pending in the House would allow the imposition of unilateral tariffs and quotas to achieve a targeted annual 10 percent reduction in bilateral trade deficits with Japan and other major trading partners. The Senate has yet to create its companion proposal, but with the U.S. world trade deficit at $18 billion in July, the bill also is expected to be harsh.

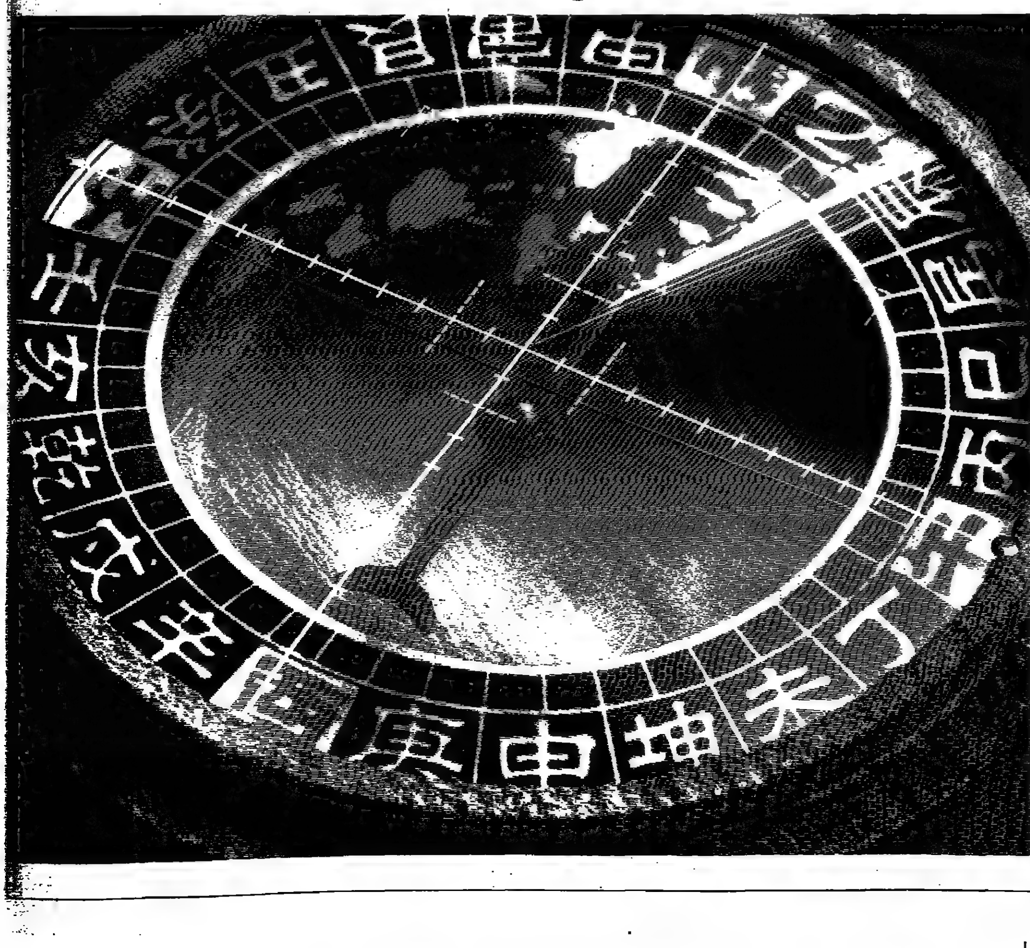










# Growth of Euroequities Alters Market Makeup

**In 1985 new issues totaled $3.5 billion.**

By Kevin Muehring

LONDON — Euroequities, shares that are distributed across national borders by a syndicate of international banks, has been one of the fastest growing sectors of the Euromarkets of the last two years. Like the scores of other recent innovations in the international capital markets, the continuing growth of Euroequities will fundamentally alter the makeup of world banking and financing.

According to Swiss banking Corporation, there was $3.5 billion in new issues of Euroequities last year, and that total has been already surpassed in the first nine months of this year. In 1984, issue volume totaled $1.2 billion. The figures are minuscule compared to the $188 billion raised last year in the Eurobond markets and even in the dwindling syndicated-loan market, but its enthusiasts liken its current stage of development to that of the Eurobond market when it was in its infancy in the late 1960s.

"No one really expects the market to grow as big as the Eurobond market, but it has been growing quickly over the last two years," noted David Brooke, director at Warburg Securities in London.

Equity has been traded internationally for years with dozens of stocks quoted on more than one exchange. More recently, growing volumes of stocks have been traded "upstairs" off the exchange floors in the giant dealing rooms of the world's leading commercial banks and securities houses. And issues of new primary, secondary and initial public offerings are likewise not an entirely new phenomenon. Tranches of U.S. issues being placed in European accounts, and foreign shares have been traded in New York, repackaged as depository receipts, for decades.

But in the last two years, new syndication and distribution methods roughly modeled and adopted from the Eurobond market have been used to bring new blocks of equity to the market that is far faster, cheaper and more international in its reach than the traditional route of raising equity through a listing on a stock exchange.

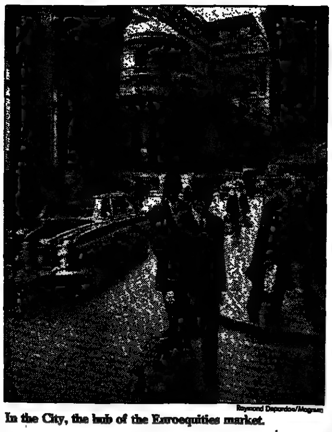
The pool of investor's capital available for international equity has mushroomed in recent years. The removal of exchange controls and the worldwide phenomenon of deregulation, coupled with the information revolution and technological innovations have made it easier to spread information and trading across borders, and for the financial institutions to handle the volumes. The performance pressure on portfolio managers and, of course, the pitch by the underwriting banks themselves have added fuel to the fire.

World equity values at the end of 1985 totaled about $4 trillion with the United States, Japan and Britain accounting for 80 percent, according to figures provided by Goldman Sachs & Co. For fund managers looking to improve their rate of return and to diversify their risks, going abroad can at least greatly magnify the market capitalization from which to choose his investment picks.

"Asking a money manager competing in the performance arena to limit himself to American equities is a little like sending a boxer into the arena with one hand tied behind his back," warned Rein van der Does, director of international research at Wall Street investment bank Drexel Burnham Lambert.

For the issuing company, with such a sizable and growing pool of investor's funds to tap, and a worldwide bull market running for three successive years, issuing new capital or selling a block of capital through a secondary issue in a global rather than national marketplace has its advantages.

International issues broaden the firm's shareholder base and spreads the corporate name across the globe, making it easier to raise funds in future financings. It could help to pay for a foreign acquisition, or the firm may even get a better price for its equity, if for instance, its sector is out of favor in its home market by tapping investors with a different performance and investment criteria.



Raymond Depardon/Magnum

In the City, the hub of the Euroequities market.

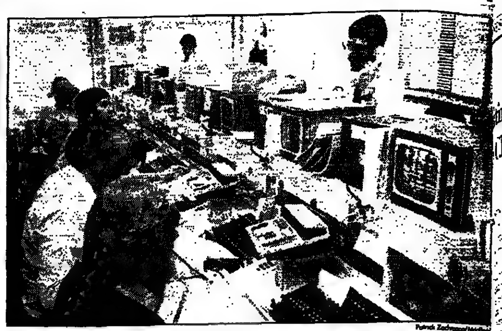
Euroequity deals to date have varied greatly in size, the largest being a behemoth $1.5-billion secondary offering of Daimler-Benz stock in 1985 underwritten by an international syndicate of banks led by Deutsche Bank. Nestlé SA raised more than 1 billion Swiss francs ($602 million) over a five-month period with three issues of stock led by Crédit Suisse First Boston, the London-based joint venture between Crédit Suisse and the Wall Street house First Boston.

An indication of just how absorptive the market has become can be surmised by comparing the Daimler-Benz deal last year to a similar secondary offering for the same firm also led by Deutsche Bank a decade ago. The 1975 placement of a 2-billion mark block of stock held by the Frick family equal to 26 percent of Daimler-Benz's capital took several months to complete. Last year's placement of 3.8 million marks ($1.3 million), equal to 10 percent of the firm's equity, was done in a day.

But with the exception of these two deals, the top range of the Euroequity deals to date seems to be in the range of a $315-million equity financing for the Dutch airlines KLM last March that was led by Merrill Lynch Capital Markets. But the deals can still be fairly small, as long as the company is a well-regarded name.

With existing issues, whether primary or secondary, the most common way to price the deal is off the previous day's close. But the lead manager will sometimes price it during the trading day, and some deals have been priced on a three- to five-day moving average formula against a defined period just before launch.

The market is still in the early stages of development, so commission levels have yet to find a common level, ranging from as low as 2 percent on a pure institutional placing to as much as 7 percent on a retail targeted placing. But 3.5 percent, with a 1½-percent management and underwriting fee and a 2-percent selling concession is fast becoming the norm. Many deals include an additional discount to the market price, which is essentially an extra selling concession. The commissions on a U.S. and foreign tranche can be made to differ but normally are the same.



Patrick Zachmann/Magnum

At the Zurich bourse, the second geographical pivot point of the market after London.

The market is sharpened by two geographical pivot points. The first is London as the unquestioned center for issuing the Eurosecurities. The second is Switzerland, which to a large degree — certainly in the early stages of the market — has become the investment home for much of the paper. It is primarily an "Iceland to New Zealand" market, as most international equity issues, like their Eurobond counterparts, are not for sale in the United States.

That London-Zurich axis also explains which firms are rapidly becoming an exclusive first tier of players. A large share of the new issues have been by Swiss firms, which favors the Big Three Swiss banks due to their long-standing client relationships. The Eurobond houses based in the City got the jump on the competition by defining the mechanisms of the market so closely with the Eurobond techniques.

Thus, it has been Crédit Suisse First Boston, the premier Eurobond powerhouse that has so successfully used the strengths of both its parents as well as its London base, to lead the largest number of issues to date. The London base of operations and a strong placing power in continental markets was also critical to the success to date of other market leaders such as Enskilda Securities, Union Bank of Switzerland, Swiss Bank Corporation, Deutsche Bank and Banque Paribas.

Surprisingly, despite the London hub of the market, only the stockbroker Casenove & Co. and Mercury International, the amalgamation centered around merchant bank S.G. Warburg, among the British institutions, have been major factors. Neither the Japanese banks and securities houses or the American commercial banks have been key players.

Rather it is the "bulge bracket" Wall Street houses that are providing the most competition to the Swiss and Continental universal banks: Merrill Lynch capital markets, Goldman Sachs International, Morgan Stanley International, Shearson Lehman Brothers International and Salomon Brothers International.

But still, for the most part, leadership among the main contenders is more "a matter of mystique" than all-round capabilities, one aspirant remarked. Nearly all have had their share of disasters and near-disasters with "flowback" — in which the block of new securities are rapidly sold back to the home market, potentially bringing downward pressure on the share price and certainly wasting a lot of money paid in fees to the underwriters.

Those with a critical eye also note that, while it is relatively easy to distribute Euroequities via the bond channels in a bull market, placement will become far more difficult if the market turns particularly picky about its issues. So in the last year, distribution techniques have been further adapted from the pure Eurobond operations of the first few issues into two distinct styles and structures.

One is a targeted geographical or segmented market approach, fashioned by Swiss Bank Corporation International. It consists of three layers of underwriters, with a lead manager coordinating the issue globally and determining the allocation of shares and a mid-tier layer of country lead managers for each targeted market running their own books.

The other distribution technique centers around a single global syndicate with the lead manager being the sole book runner. The centralized book running of the global lead manager means he can alter the allocation between countries much more quickly and easily so the paper flows to where the true demand lies.

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# Pressure Eases on Debt

**Continued from page 9**

U.S. Treasury Secretary James A. Baker 3d has called on the banks to resume lending amounting to $20 billion to 15 problem countries over the next three years in concert with matching Third World credits to be extended by the World Bank and other institutions.

His plan assigns the debtor countries responsibility to pursue policies that will spur economic growth and attract foreign investment that might reverse their net exodus of capital. Skeptics have suggested that the Baker plan in practice might be indistinguishable from the fire-brigade approach that has been used to combat the problem so far.

This kind of crisis management, a German central banker suggested, has been tailored more to the needs of the U.S. banks than to those of the struggling countries.

"What kind of economic sense does it make when the debt service that cannot be earned by the developing countries is continually added to the old debt in the form of fresh money?" Hamburg Landeszentralbank President Wilhelm Noelling asked rhetorically at an international conference in Hungary this year. He said it was time for bankers to face reality and write off a portion of the soured debt so that the Third World countries will have a fighting chance of recovery.

A few of the debtor countries have also lost patience with the standard rescue plan that forces them to accept economic strictures dictated by the International Monetary Fund in order to get further credit.

Peru joined the revolt against the IMF when President Alan Garcia Pérez declared that his country would earmark no more than a 10th of its export earnings to the service of its $14-billion debt. The IMF then declared that Peru was not creditworthy, placing it on a blacklist with Vietnam, Guyana, Sudan and Liberia.

While these countries are small enough to be ignored, some of the giants of debt have also been bucking the system in less provocative ways because unpopular austerity measures are causing internal political strains. But the feared "debtor cartel" that might topple the international financial structure has failed to take shape.

Small countries that are not too dependent on international exchange might go it alone but, as Mr. Geiger said, "the others will think it over three times before they touch off a financial war."

Creditors may be outraged by Peru's actions. But they would have to concede that something must be done about protectionism and subsidies in the industrial countries if the debtor countries are ever going to earn their way out of the hold.

Even Australia has complained about the U.S. and European agricultural subsidies. Thailand, with a debt of nearly $18 billion, said it fears the effect of new U.S. farm subsidies on its vital rice exports that command 30 percent of the world market. The devastating impact of European meat subsidies on African meat exporters is an even worse example.

Mexico, for all its problems, could pull out of its economic tailspin when oil prices recover because oil sales yield 70 percent of the country's export earnings. But growth and export prospects are bleak for some of the other 34 heavily indebted Third World countries, particularly those in Africa, according to a five-year economic projection by the Basel-based European Center for Applied Economic Research.

# World Bank, IMF: A Long List

**Continued from page 9**

Nevertheless, the fund still has a major role in helping the debtors. The immediate task is to act as a conscience to help the debtors and their bank creditors to devise ways to fix interest rates at present relatively low nominal levels. A run-up in interest rates, such as occurred in 1979-1982 and again in 1984, could be dramatic for the debtors and their bank creditors. Rather than an IMF interest rate facility, which would be very costly (e.g. an increase of 5 percentage points in the London interbank offered rate, Libor, would cost Latin America $515 billion a year, or the equivalent of its countries' present quotas in the fund), there are plenty of market mechanisms that could provide an example.

The chief financial officer of the World Bank, Eugene Rotberg, who with his staff has largely been responsible for the stunning profit performance of the bank and is just across the street from the fund, has the kind of practical market knowledge that would help the fund to work with the banks to insure against a not improbable rainy day.

Another longer-term priority is to start laying the basis for a quota increase a few years hence. Fund resources are just inadequate in relation to likely swings in trade and in debt payments. In 1970, IMF quotas were 10 percent of world trade but today they are only 5 percent. As a proportion of external debt of Latin American countries, their quotas have fallen to a barely significant proportion today. The likely political reaction from a quota increase should not prevent efforts to lay the groundwork now for what in the end will be the right course of action.

Since the Baker initiative last year in Seoul, the psychological responsibility for coming up with some sort of a plan for new capital inflows into the debtor countries has been laid squarely at the door of the World Bank. While much useful institutional innovation has taken place (such as the launching of the Multilateral Investment Guarantee Authority and the expansion of the International Finance Corporation), the bank has responded slowly to the expectations of James A. Baker 3d, U.S. Secretary of the Treasury.

Part of the problem has been the discussion over the next increase in callable capital. Without some assurance about it from the United States, the bank has been reluctant to draw down its considerable cash reserves as it gears up lending while the United States looks on and says "show us what you can do with the money you have before you ask for more." The advent of Barber Conable, an experienced hand on Capitol Hill, and the passing of the November Congressional elections should ease the logjam.

Much of the debate about the bank's role in the big debtor countries, as well as that of the Inter-American Development Bank, has focused on the need for general purpose sector loans, as opposed to specific project loans of the type that the World Bank has traditionally made. Sector loans, which have been around in various guises for a number of years, would be used to encourage broad policy reforms. There is no doubt that such loans are needed, but a broad shift in that direction ought to be viewed with skepticism. Policy problems that have been around for years will not disappear because of one or even two large loans. It may be better in the long run to emphasize examples of institution-building, as the World Bank successfully did for many years in electric utilities and in local development finance institutions, and to move a larger proportion of funds to the debtors by raising the percentage of projects that the multilateral development banks finance.

Another important role would be for the development banks to lobby creditor governments to unfreeze Paris Club supplier credits, which are at present very limited for countries with restructured debts. As shortages begin to appear in the productive infrastructure of countries, credit for physical expansion, especially in electricity, water and transport, will be needed.

Another popular concern has been "privatization" of state companies. So far the full staff assembled by the Bank for this purpose has promoted some useful studies. The groundwork is particularly advanced in Turkey. The danger in the next step, of actually selling something successfully, is that reluctant countries will use lengthy studies in order to camouflage inactivity. Inducing such countries to move by granting them large general-purpose loans, a course advocated by some outside observers, may be counterproductive since abundant funds may well remove the incentive for reform.

The agenda for the IMF and the World Bank vis-à-vis the debtor countries is thus a large and complex one. Clarifying each institution's role is the best recipe for effective coordination among them.

Statistics Index



Dow Gains 12.38; Story on Page 8

4 P.M. PRICES UP

INTERNATIONAL MANAGER

# Suiting Corporate Budgets To Charities' Bigger Needs

By SHERRY BUCHANAN

*International Herald Tribune*

LONDON — With an increase in requests from charities and nonprofit organizations, corporate do-gooders are being more careful about whom they are giving their charity money to. "Just rattling the charity bell isn't going to get you very far anymore," said Colin Tweedy, director of the Association for Business Sponsorship of the Arts in London, an organization with 180 corporate members.

"The torrent of requests has brought a new urgency to the screening process," said Anne Klepper, co-author of a report by the Conference Board, a New York-based research organization.

The report estimates that there are 300,000 nonprofit, tax-exempt organizations in the United States.

> As the levels of funding and requests increase so do the strings attached.

Major British companies, such as British Petroleum PLC, ICI PLC, Barclays Bank PLC and National Westminster Bank PLC also report an increase in requests. ICI estimates that the number of requests has risen from 1,000 a day two years ago to 2,000 a day.

According to a survey of European corporate contribution policies to be published in November by International Management, a McGraw-Hill Inc publication, requests from educational groups have increased in Europe.

Overall, corporate contribution budgets have also gone up. U.S. contribution budgets, according to the Conference Board, have increased from $1.2 billion in 1975 to $4.3 billion in 1985. The largest part, or 39 percent, goes to education; 28 percent goes to health and human services; 19 percent to civic and community causes, and 11 percent to culture and the arts.

According to the Charities Aid Foundation in London, the top 200 British companies gave a total of £43 million ($61.5 million) in 1984 and £46 million in 1985. Last year, the largest contributors were the British unit of International Business Machines Corp. of the United States, Barclays, BP and NatWest.

But as the levels of funding and requests increase so do the strings attached.

"The response from our point of view has to become more professional in sifting through the proposals," said Robin Heal, manager of community services at BP, the second-largest corporate contributor in Britain last year.

THE COMPANY'S budget for contributions this year was £4 million, "But it is not so much a response to an increase in requests as it is a clearer view about what we want to achieve," Mr. Heal said.

BP's board has defined three policy objectives the company wants to achieve: improving the link between industry and education, creating jobs and beginning to find solutions to inner-city problems. ICI also emphasizes contributions to create jobs for the young and to solve inner-city problems.

Other companies are more interested in improving their image through contributions to the arts. Many finance either music, art exhibits, playwrights or movies. Cartier, the French jeweler, for instance, has created the Fondation Cartier, which sponsors artists.

The Conference Board estimates that 200 U.S. companies have written policies with well-defined corporate objectives.

In addition to meeting specific corporate goals, companies are asking nonprofit organizations to say why shareholders should invest their money in their causes and to show evidence that what they are doing has worked elsewhere.

"We first want to know whether the proposed program fits closely with our policy," said Henry Durowse, public affairs manager for Shell U.K. Ltd., a subsidiary of Royal Dutch/Shell. "We then have to be convinced it is achievable and not that it is just someone wanting to do a bit of good."

Mr. Durowse, who is in charge of Shell U.K.'s contributions to education, said, "We have had to become more analytical because of the increase in the number of requests."

Many U.S. companies are now using agencies such as the

See CHARITY, Page 19

# Germany Has Drop In Orders

## *Machine Data Called a Setback*

By John Tagliabue

*New York Times Service*

BONN — The West German machine-building industry said Tuesday that the value of export orders booked in August fell 28 percent from the level a year earlier. Analysts said that was a clear indication that the sag in export industries was accelerating.

Although economic indicators still point to steady upward growth, there is growing concern that a lag in exports will sap the economy's vigor and set the stage for limited gains in 1987.

Alexander Batschari, a spokesman for the Machine Building Industry Association, which released the figures, said the setback betrayed "the heavy brake marks" of the weak dollar, which makes West German goods less competitive worldwide, and slower industrial investment in the United States.

The figures are significant since exports of machinery totaled 92.7 billion Deutsche marks (about $45.8 billion at current exchange rates) last year, or 17.3 percent of total West German exports.

That made machinery the second-largest export item after automobiles, and ahead of chemicals.

While exports of automobiles have been relatively stable, the Chemical Industry Association said Tuesday that exports of chemicals in the first seven months of the year dropped 6.1 percent, to 43.7 billion DM, with shipments to the United States down 10.7 percent, to 2.6 billion DM.

With exports accounting for about one-third of West Germany's gross national product, the total output of its goods and services, there is growing concern that a decline could shorten the life of the current upswing.

Hermann Remsperger, chief economist at Berliner Handels & Frankfurter Bank in Frankfurt, said, "I think the time has come to wait a moment, to stop saying the high mark has not hurt us, and to size up the situation."

The Buildup for the Big Bang

| American Company | London Employees 1984 | London Employees 1986 | Major British Purchases | Comments |
|---|---|---|---|---|
| Bankers Trust | 510 | 710 | None | A leader in introducing leveraged buy-outs to British corporations |
| Chase Manhattan | 1,407 | 2,480 | Simon & Coates (stockbroker) Laurie, Milbank (stockbroker) | Using acquisitions to form the nucleus of British teams in equities and gilts |
| Citicorp | 1,350 | 2,100 | Vickers da Costa (stockbroker) Scrimgeour Kemp-Gee (stockbroker) Seccombe Marshall (money markets) | Plans a global link for equities research as part of its push into investment banking |
| Credit Suisse First Boston | 412 | 595 | None | Leader among Eurobond underwriters sees Big Bang as a crucial test for future world players |
| Drexel Burnham Lambert | 200 | 350 | None | Big in commodities but finding it tough to sell Europeans on junk bonds |
| Goldman Sachs | 140 | 500 | None | Penetrated British merger business by helping British companies fend off raiders; willing to take big risks in equities |
| Merrill Lynch* | 1,000 | 1,700 | Giles & Caswell (gilt dealer) | Rejected costly acquisitions, determined to gain a big share in gilts |
| Morgan Guaranty | 1,350 | 1,350 | None | Took advantage of opportunity to become a gilt dealer but is staying out of the equities fray for now |
| Morgan Stanley | 134 | 600 | None | Won't compete in gilts; a developer of London's huge Canary Wharf real estate project |
| Salomon Brothers | 160 | 574 | None | New international headquarters establishes London as the nerve center of its global operations |
| Security Pacific | 347 | 1,500 | Hoare Govett (stockbroker) | Purchase of major British stockbroker establishes presence in equities and gilts |
| Shearson Lehman Brothers | 275 | 1,200 | L. Messel (stockbroker) | $20 million acquisition provides entree to British institutional investors |

* Employees are for Merrill Lynch's Europe/Middle East division.

The New York Times

# *Americans Descend on the City*

By Fred R. Bleakley

*New York Times Service*

LONDON — When Robert Maxwell, the British newspaper baron and stock wheeler-dealer, unloaded a huge portfolio 10 days ago, he did not take the usual route of asking British brokers to peddle the stocks bit by bit.

Instead, he invited three foreign investment houses to bid on the whole package, finally selling it to Goldman, Sachs International, the London arm of the U.S. investment house, for nearly $300 million.

London's cozy world of stockbrokers and floor traders had never seen such risk-taking. It was the largest single stock purchase in British history and Goldman, Sachs rushed to resell the shares before their prices could fall. There was awe that Goldman, Sachs would risk millions in losses for a profit that at best would be a thin one.

"It was a successful transaction," was all that Robert M. Conway, Goldman's managing director, would say.

Goldman, Sachs is not the only American high roller these days in the City, London's version of New York's Wall Street district. Last week, the financial community was buzzing with reports that Merrill Lynch, buying gilts, had suffered a loss of $18 million to $37 million when gilt prices suddenly plunged. Gilts are the British equivalent of U.S. Treasury securities.

**London's Big Bang**

**A New Era in Finance**

*Fourth in a series of articles to appear periodically in coming weeks.*

Merrill declined to comment on the reports, which appeared in British newspapers.

The talk of the financial community, in fact, is about the extraordinary risks that U.S. investment houses are beginning to take as they aggressively try not only to gain a foothold in Britain's securities markets, but to dominate those markets as quickly as possible.

The battle is not for big short-term profits. British stock and bond trading is only a fraction of what goes on in New York. And what profits there are must be shared with British firms as well as the European and Japanese houses that are also battling to be big players here, now that deregulation has arrived.

The American goal, instead, is to eventually gain big chunks of new business as London's tiny domestic securities markets finally expand and the City takes its seat as one of the three major trading centers in the emerging worldwide financial marketplace.

"This is a test of who will be the players in the year 2000," said John M. Hennessy, chairman of Credit Suisse-First Boston Corp.

London is already a major center even without the deregulation that is now opening up Britain's securities markets. At about $90 billion a day, foreign-currency trading here is nearly twice that of either Tokyo or New York. Dozens of international financial instruments trade in London's secondary markets, along with a bevy of commodities.

And the City is the center of

See BIG BANG, Page 19

# Reagan Wants Further Fall In U.S. Rates

*Compiled by Our Staff From Dispatches*

WASHINGTON — President Ronald Reagan said Tuesday that U.S. interest rates should come down even further, and he also urged other leading industrial nations to do their share in shoring up the global economic expansion.

He told the annual meetings of the International Monetary Fund and World Bank that while the U.S. economy was doing its part in sustaining world growth, "other industrial nations must also contribute their fair share to world recovery and adopt more growth-oriented policies."

Mr. Reagan said the world economy had come a long way in the past year but that "the industrial countries have more, much more, to do."

The president's remarks come after the U.S. Treasury secretary, James A. Baker 3d, backed away from a showdown with West Germany and Japan over their economic policies.

European officials said Mr. Baker had told financial leaders of the other industrial democracies that they had until the spring to deliver on a promise that their economies would expand and so ease the U.S. trade deficit, expected to reach a record $200 billion this year.

Mr. Reagan repeated the message, saying, "The only way to resolve the external imbalances between countries is through increased growth abroad, a greater competitiveness for the U.S. dollar or both, coupled with the opening of markets."

Mr. Reagan said his top priority was curbing government spending, which many analysts say indirectly contributes to the U.S. trade deficit. The deficit was $13.32 billion in August, the Commerce Department reported Thursday, down from July's $18.04 billion.

Mr. Reagan vowed that the United States would move "aggressively" against unfair trading practices. He added, "We have other items of unfinished business in America: bringing interest rates down even further while keeping inflation under control is one."

Also on Tuesday, a $12-billion plan to help Mexico meet payments on its $100 billion in debt appeared to be taking shape in high-level negotiations. Private talks continued Tuesday after the IMF extended by one day a Monday deadline for the accord on the debt package.

Mexican officials and private banks failed to complete the plan in talks that lasted past midnight Monday. Agreement was reported to be close, however.

The IMF's managing director, Jacques de Larosière, said Tuesday there was little reason to fear that the world economy was headed for a downturn, Reuters reported from Washington.

In an address to the annual meeting of the IMF and World Bank, Mr. de Larosière, who is leaving his post at year-end, dismissed forecasts that suggest a turn-around in the economic recovery is overdue.

## *Trade Surplus Down in Japan*

*United Press International*

TOKYO — Japan's surplus on its current account, the broadest measure of a nation's trading performance, narrowed to $7.05 billion in August from a record $8.03 billion in July, the Finance Ministry said Tuesday.

Ministry officials attributed the drop to declines in the merchandise-trade surplus, the major part of the current account, and in such nonmerchandise-trade items as tourism and securities investment. Japanese products have become more expensive abroad and imports have become cheaper in Japan as a result of the yen's sharp appreciation against the dollar since September 1985.

Japan's merchandise-trade surplus narrowed to $8.11 billion in August from a record $8.67 billion in July, the ministry said. In dollar terms, exports in August rose 21.3 percent from the year-earlier month.

# Soviet Spurns U.S. Offer Of Subsidized Wheat

By Keith Schneider

*New York Times Service*

WASHINGTON — President Ronald Reagan's offer to sell 3.85 million metric tons of subsidized American wheat to the Soviet Union expired at midnight Tuesday with no interest shown by Moscow.

Executives of leading U.S. grain trading companies and farm organizations said that even with the subsidy, the American price was substantially above that offered the Russians by other nations.

Carl Schwensen, executive vice president of the National Association of Wheat Growers, a Washington-based group representing 80,000 wheat farmers, said the administration "needs to try again."

"The Soviet Union is the world's largest wheat importer and, if our farmers are going to survive this period of low prices, we need as much trade as we can get," he said.

As if to underscore their refusal to buy U.S. wheat, the Russians purchased one million metric tons of subsidized wheat on Friday from the European Community for a reported $80 a ton, $11 a ton less than the price offered by the Reagan administration.

The sale, by traders in Paris, was made under a subsidy program that paid European farmers and grain companies $123 for every metric ton of wheat. A metric ton equals about 2,204 pounds.

A U.S. agreement with the Soviet Union would have been worth slightly more than $350 million, and would have represented about 15 percent of U.S. wheat exports this year.

The exports have been falling since 1981, and are expected to total about 25 million metric tons this year, according to the Agriculture Department.

But farmers, trade executives and agricultural officials disagreed on the political impact of the apparent Soviet rejection.

"I don't think there will be much fallout," said William G. Lesher, a private farm consultant in Washington and former assistant secretary of agriculture for economics during President Reagan's first term. "The Russians have a long-term agreement with us to buy wheat. We tried to meet them halfway."

Many farmers, however, said they were disappointed and angry.

John Sullivan, chairman of the Nebraska Wheat Board and a wheat farmer in Wallace, Nebraska, said, "Most farmers feel like they've been let down in every area. Basically, what we've been left with is lower prices and lower exports."

Mr. Reagan announced his intention on Aug. 1 to sell the wheat to the Russians at a price $13 a ton below the price in the U.S. market. Weeks later, after the Soviet Union failed to respond, the administration lowered the price by an additional $2 a ton.

Grain traders said the United States would probably be forced to increase the subsidy and lower prices again if they hoped to interest the Soviet Union.

"We said all along that it would take more than the announced subsidy to be competitive," said Darrell Nates, a vice president with Continental Grain Co. in New York.

The subsidy program outraged some of the president's leading advisers, including Defense Secretary Caspar W. Weinberger and Secretary of State George P. Shultz, who said subsidizing American wheat sales would be the same as subsidizing the Soviet economy.

The program also angered many U.S. allies, including Australia and Canada, two of the world's largest wheat exporters.

Farm officials in these countries said the U.S. offer would set off a subsidy battle between the United States and the European Community and drive down wheat prices worldwide, injuring their farm economies.

# *Allocations Of Fiat Stake Reduced*

By Carl Gewirtz

*International Herald Tribune*

PARIS — Banks underwriting the record $2.1-billion stock placement of Fiat SpA shares breathed a bit easier Tuesday when they received final commitments that were less than expected.

The lower commitments were welcomed because marketing the shares has proved difficult.

The shares are part of the stake in the Italian automaker sold by Libya last week and purchased by the Agnelli family and the underwriting group.

Lead underwriters originally were asked to commit for $100 million of stock, a figure that was later cut to $70 million through syndication to subunderwriters.

Underwriters had expected a further reduction to $65 million but the final allocation was less than $60 million.

Marketing the shares has proved difficult partly because the price of the stock in Milan has declined steadily since the announcement of the Libyan sale and in part because of confusion about when the actual share certificates would become available.

Without the certificates, holders

See FIAT, Page 19

# Currency Rates

**Cross Rates** *Sept. 30*

| | $ | £ | D.M. | F.F. | H.L. | Gldr. | B.F. | S.F. | Yen |
|---|---|---|---|---|---|---|---|---|---|
| Amsterdam | 2.3846 | 3.513 | 112.97 * | 34.60 * | 0.1638 * | — | 5.447 * | 139.37 * | 146.47 y |
| Brussels(a) | 41.84 | 60.85 | 20.7395 | 6.3225 | 3.00 * | 18.3606 | — | 25.585 | 27.2975 * |
| Frankfurt | 2.0287 | 2.934 | — | 30.52 * | 1.4465 x | 88.585 * | 4.851 * | 121.41 * | 1.3155 * |
| London (b) | 1.4475 | — | 2.9344 | 9.6140 | 2,029.00 | 3.3140 | 60.535 | 2.3852 | 222.32 |
| Milan | 1,395.50 | 2,020.40 | 691.20 | 211.05 | — | 611.95 | 33.336 | 861.00 | 9.333 |
| New York(c) | — | 1.4428 # | 2.025 | 6.6335 | 1,399.80 | 2.2875 | 41.975 | 1.642 | 154.85 |
| Paris | 6.632 | 9.61 | 3.2751 | — | 4.7395 x | 2.8985 | 15.796 * | 4.0346 | 4.300 * |
| Tokyo | 153.60 | 220.45 | 75.95 | 23.19 | 11.01 * | 67.28 | 365.21 * | 93.04 | — |
| Zurich | 1.6450 | 2.3823 | 81.16 * | 24.90 * | 0.1175 * | 71.860 * | 3.9131 * | — | 1.0660 * |
| 1 ECU | 1.0296 | 0.7126 | 2.0906 | 6.8468 | 1,445.39 | 2.3619 | 43.3468 | 1.697 | 159.072 |
| 1 SDR | 1.21342 | 0.83484 | 2.45196 | 8.03527 | 1,695.96 | 2.7721 | 50.8908 | 1.9878 | 186.381 |

*Closings in London and Zurich, fixings in other European centers. New York rates at 4 P.M. (a) Commercial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one dollar (*) Units of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available. (#) To buy one pound: $U.S.1.4425*

**Other Dollar Values**

| Currency | per U.S.$ | Currency | per U.S.$ | Currency | per U.S.$ | Currency | per U.S.$ |
|---|---|---|---|---|---|---|---|
| Argen. austral | 106.85 | Fin. markka | 4.907 | Mex. peso | 745.00 | Soviet ruble | 0.6768 |
| Austral. $ | 1.5974 | Greek drac. | 134.95 | Norw. krone | 7.37 | Span. peseta | 133.54 |
| Austr. schil. | 14.25 | Hong Kong $ | 7.802 | Phil. peso | 20.25 | Swed. krona | 6.919 |
| Belg. fin. fr. | 42.40 | Indian rupee | 12.27 | Port. escudo | 147.10 | Taiwan $ | 36.72 |
| Brazil cruz. | 13.77 | Indo. rupiah | 1,638.00 | Saudi riyal | 3.75 | Thai baht | 26.045 |
| Canadian $ | 1.3877 | Irish £ | 0.7402 | Sing. $ | 2.1685 | Turkish lira | 668.40 |
| Chinese yuan | 3.7147 | Israeli shek. | 1.4788 | S. Afr. rand | 2.2075 | UAE dirham | 3.6727 |
| Danish krone | 7.6675 | Kuwaiti dinar | 0.292 | S. Kor. won | 876.20 | Venez. boliv. | 28.10 |
| Egypt. pound | 1.35 | Malay. ring. | 2.604 | | | | |

£ Sterling: 1.0713 Irish £

*Sources: Banque du Benelux (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.*

# Interest Rates

**Eurocurrency Deposits** *Sept. 30*

| | Dollar | D-Mark | Swiss Franc | Sterling | French Franc | ECU | SDR |
|---|---|---|---|---|---|---|---|
| 1 month | 6-6⅛ | 4⅝-4¾ | 3 ⅞-4 ⅛ | 10 ⅝-10 ¾ | 7¾-8 | 7 ⅝-7 ¾ | 6⅛ |
| 2 months | 6-6⅛ | 4½-4⅝ | 4-4⅛ | 10⅞-11 | 7⅞-8⅛ | 7 ⅝-7 ¾ | 6⅛ |
| 3 months | 6-6⅛ | 4½-4⅝ | 4 ⅛-4 ¼ | 10⅞-11 | 7⅞-8⅛ | 7 ⅝-7 ¾ | 6⅛ |
| 6 months | 6⅛-6¼ | 4½-4⅝ | 4⅛-4¼ | 10⅞-11 | 7¾-8 | 7 ⅝-7 ¾ | 6 ¼ |
| 1 year | 6 ⅛-6 ¼ | 4 ⅝-4 ¾ | 4⅛-4¼ | 11-11⅛ | 7⅝-7⅞ | 7¾-7⅞ | 6 ¼ |

*Sources: Morgan Guaranty (dollar, DM, SF, Pound, FF); Lloyds Bank (ECU); Reuters (SDR). Rates applicable to interbank deposits of $1 million minimum (or equivalent).*

**Key Money Rates** *Sept. 30*

| | Close | Prev. |
|---|---|---|
| **United States** | | |
| Discount Rate | 5½ | 5½ |
| Prime Rate | 7½ | 7½ |
| Broker Loan Rate | 6¾-7 | 6¾-7 |
| Federal Funds | 6⅛ | 6 |
| Com Paper 90-179 days | 5.53 | 5.52 |
| 3-month Treasury Bills | 5.18 | 5.25 |
| 6-month Treasury Bills | 5.37 | 5.28 |
| 3-month CD's | 5.46 | 5.40 |
| 6-month CD's | 5.70 | 5.65 |
| **Japan** | | |
| Discount Rate | 3½ | 3½ |
| Call Money | 4 11/16 | 4⅝ |
| 2-month Interbank | 4⅝ | 4 13/16 |
| 3-month Interbank | 4⅝ | 4⅝ |
| **West Germany** | | |
| Lombard Rate | 5.50 | 5.50 |
| Overnight Rate | 3.75 | 4.45 |
| 1-month Interbank | 4.60 | 4.60 |
| 3-month Interbank | 4.60 | 4.60 |
| 6-month Interbank | 4.60 | 4.60 |
| **Britain** | | |
| Bank Base Rate | 10 | 10 |
| Call Money | 10 | 9 |
| 3-month Interbank | 10 15/16 | 11 5/16 |
| 91-day Treasury Bill | n.a. | 11 |
| **France** | | |
| Intervention Rate | 7 | 7 |
| Call Money | 7⅛ | 7⅛ |
| 1-month Interbank | 7 3/16 | 7⅛ |
| 3-month Interbank | 7 3/16 | 7⅛ |
| 6-month Interbank | 7 3/16 | 7⅛ |

*Sources: Reuters, Bank of Tokyo, Commerzbank, Crédit Lyonnais.*

**Asian Dollar Deposits** *Sept. 30*

| | |
|---|---|
| 1 month | 6 - 6⅛ |
| 2 months | 6 - 6⅛ |
| 3 months | 6 - 6⅛ |
| 6 months | 6 - 6⅛ |
| 1 year | 6 ⅛ - 6 ¼ |

*Source: Reuters.*

**U.S. Money Market Funds** *Sept. 30*

| | |
|---|---|
| Merrill Lynch Ready Assets 30 day average yield: | 5.00 |
| Telerate Interest Rate Index: | 5.083 |

*Source: Merrill Lynch, Telerate.*

# Gold

*Sept. 30*

| | A.M. | P.M. | Ch'ge |
|---|---|---|---|
| Hong Kong | 423.25 | 422.13 | —3.87 |
| Luxembourg | 421.45 | — | —5.55 |
| Paris (12.5 kilo) | 420.08 | 419.43 | —7.02 |
| Zurich | 421.80 | 425.80 | —3.50 |
| London | 421.20 | 423.20 | —3.80 |
| New York | — | 425.80 | +3.87 |

*Luxembourg, Paris and London official fixings; Hong Kong and Zurich opening and closing prices; New York spot market close. All prices in U.S. $ per ounce.*

*Source: Reuters.*

# Tuesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

[illegible]

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Q | | | | | | | | | |
| 84¼ | 54 | QuakO | 1.40 | 2.2 | 16 | 1993 | 71¼ | 69½ | 71¼ +1¼ |
| 30 | 19⅝ | QuakSO | .30e | 1.2 | 12 | 816 | 25¼ | 25 | 25⅛ + ⅛ |
| 8 | 3⅞ | Quanex | | | | 131 | 4½ | 4½ | 4½ |
| 37½ | 28⅝ | Questar | 1.72 | 4.8 | 12 | 48 | 36¼ | 35⅞ | 36⅛ − ⅛ |
| 40⅝ | 19⅝ | QkReil | .36a | 1.3 | 15 | 204 | 29⅝ | 28⅝ | 29⅝ + ⅛ |
| R | | | | | | | | | |
| 10 | 5¾ | RBInd | .04i | .5 | | 2 | 7½ | 7½ | 7½ |

## Dome Asks Bondholders For Payment Suspension

*Reuters*

ZURICH — Dome Petroleum Ltd., the beleaguered Canadian oil concern, urged its Swiss creditors on Tuesday to allow it to suspend interest payments until next June. The alternative, it said, would be for creditors to possibly lose their entire investment in Dome.

Dome had already announced that it would ask holders of several series of bonds, notes and debentures to waive all principal and interest payments until the end of February.

The waiver period was extended by four months because of the time taken to reach agreement with Dome's 56 creditor banks.

Dome's chairman, J. Howard Macdonald, told a creditor's meeting here that the halving of oil prices in the last few months had left Dome with a debt of 6.3 billion Canadian dollars ($4.5 billion) that it was unable to service.

"If our plan is not approved, then there is quite a substantial risk of going into default, with the business disintegrating quite quickly," he said. He added that the company could run out of money by next June.

Dome officials will meet with investors in London on Thursday and Friday. Investors have until Oct. 24 to decide whether to accept the plan.

In the meantime, the company plans to devise a long-term restructuring of debt, under which part of the bonds would be converted into so-called "hope certificates" that would pay interest if oil prices rise above a certain level.

Dome has about 500 million Canadian dollars of bonds outstanding, split between Swiss franc and dollar issues.

The remainder of the debt is largely in the hands of banks and other institutions. They have already been operating a waiver on part of their debts since May, but some have said they will not agree to an extension unless the public creditors take their share of the burden too.

The company says it will proceed with the plan if it gets the approval of holders of 70 percent of each of the three Swiss-franc bonds. For legal reasons, the threshold is lower for holders of the dollar bonds.

## Canada Industry Prices Up 0.3%

*Reuters*

OTTAWA — Canada's price index for industrial products rose 0.3 percent in August after increasing 0.1 percent in July, the government said Tuesday. The year-to-year increase was 0.6 percent in August compared with a 0.3-percent advance in July.

[illegible]

## NYSE Highs-Lows

NEW HIGHS

[illegible]

NEW LOWS

[illegible]

# U.S. Futures

*Via The Associated Press*

Sept. 30

Grains

[illegible]

Livestock

[illegible]

Food

[illegible]

Metals

[illegible]

Financial

[illegible]

Industrials

[illegible]

Stock Indexes

[illegible]

Commodity Indexes

[illegible]

Market Guide

[illegible]

## Currency Options

PHILADELPHIA EXCHANGE

Sept. 30

[illegible]

Source: AP.

## Paris Commodities

Sept. 30

[illegible]

Source: Bourse du Commerce.

## Asian Commodities

Sept. 30

[illegible]

Source: Reuters.

## London Commodities

Sept. 30

[illegible]

Source: Reuters and London Petroleum Exchange (gasoil, crude oil).

## Dividends

Sept. 30

| Company | Per | Amt | Pay | Rec |
|---|---|---|---|---|
| USUAL | | | | |
| Ampco-Pittsburgh | [illegible] | [illegible] | [illegible] | [illegible] |
| Adamero Inc | S | .10 | 11-1 | 10-17 |
| Butler Intl | Q | .13 | 11-25 | 11-10 |
| Canadian Tire Ltd | Q | .05 | 12-1 | 10-31 |
| Central Hudson G&E | Q | .74 | 11-1 | 10-10 |
| Landmark Land Co | Q | .10 | 11-21 | 10-31 |

a-annual; m-monthly; q-quarterly; s-semi-annual

Source: UPI.

## To Our Readers

Some floating-rate-note prices were not available for this edition because of transmission problems.

## U.S. Treasuries

Sept. 30

[illegible]

Source: Merrill Lynch.

## London Metals

Sept. 30

[illegible]

Source: AP.

## Taiwan Unemployment Rises

*Reuters*

TAIPEI — Taiwan's unemployment rate rose to 3.11 percent of the work force in August from 2.92 percent in July but was below the 4.1 percent reported for August 1985, the Council for Economic Planning and Development said Tuesday.

## Spot Commodities

[illegible]

Source: AP.

## S&P 100 Index Options

Sept. 30

[illegible]

Source: CBOE.

## DM Futures Options

W. German Mark-125,000 marks, cents per mark

Sept. 30

[illegible]

Source: CME.

[illegible]

**BUSINESS ROUNDUP**

# Stora, Papyrus to Merge In $836-Million Accord

*Reuters*

STOCKHOLM — Stora Kopparbergs Bergslags AB, the big forest-products concern, said Tuesday that it would acquire Papyrus AB, a ...al pulp and paper maker, in a share exchange valued at 5.8 billion kronor (about $836 million).

Both companies are controlled by the Wallenberg investment group, and have the same chairman, Peter Wallenberg.

Stora's managing director, Bo Berggren, said Papyrus shareholders would receive new Stora stock valued at about 600 kronor per share, compared with Papyrus' current trading price of 465 kronor.

He said the acquisition would lead to greater efficiencies, and should enable the group to save about 350 million kronor per year. The combined company would have total revenue of 18 billion kronor a year, he said.

Stora said it would raise the proportion of pulp consumed at paper mills within the group to 90 percent from 80 percent, reducing the company's exposure to wildly fluctuating prices for market pulp.

"We will be market leaders in a number of areas on several important markets," Mr. Berggren said.

He told reporters that the takeover would not stretch Stora's balance sheet because it earlier this year sold off hydro electric power stations valued at 6 billion kronor.

Peter Wallenberg, chairman of both Stora and Papyrus, said the Wallenberg group investment companies, AB Investor and Forvaltnings AB Providentia, would have a stake of more than 40 percent of the combined company after the takeover is completed.

He said Stora might seek to consolidate Papyrus's newsprint unit, in which West Germany's Feldmuhle AG has a 25-percent stake. Papyrus also might decide later this year to build a new plant, he said.

Stora decided in June to invest 1.3 billion kronor in a newsprint mill at Kvarnsveden.

## Steelworkers to Receive Raise in West Germany

*Reuters*

KREFELD, West Germany — About 190,000 steelworkers in North Rhine-Westphalia and Bremen will receive a two-tier pay raise retroactive to Sept. 1 and totaling about 4 percent under a new 14-month contract, a spokesmen for the employers and the IG Metall union said Tuesday.

A union spokeswoman said the ...e took into consideration the industry's poor situation, but the Iron and Steel Federation said it regretted that not enough consideration had been given to the industry's "bad economic position."

## Merrill Lynch Plans to Sell Off Real Estate Units

*The Associated Press*

NEW YORK — Merrill Lynch & Co., attempting to enhance profitability, says it plans to sell most of its real estate services group, including its residential real estate brokerage business.

Merrill Lynch said Monday that it would invest the proceeds from the sale in its primary businesses of trading and underwriting securities, global merchant banking and brokerage activities for consumers. Merrill Lynch is the largest U.S. securities brokerage.

The units scheduled for sale are Merrill Lynch Realty Associates, a residential broker; Merrill Lynch Relocation Management, which aids employee relocations, and Merrill Lynch Mortgage Corp., which provides mortgage banking services. The three operations had combined 1985 revenue of $525 million, or about 7.4 percent of Merrill Lynch's $7.1 billion in total revenue last year.

Merrill Lynch does not break out the operations' individual earnings. But the company's entire real estate services group, which also includes its activities in mortgage-backed securities, earned $10.7 million last year, or 4.8 percent of the company's $224.3 million in total profit.

# India Expected to Sign for U.S. Plane Engines

*Reuters*

NEW DELHI — Secretary Caspar W. Weinberger, the U.S. defense secretary, is expected to sign a contract to supply 10 F-404 engines for India's prototype light combat aircraft during his visit to New Delhi from Oct. 11 to 14, the United News of India new agency said Tuesday.

The agency said that a letter of intent for the import of the engines was issued to the maker, General Electric Co. of the United States. An Indian Defense Ministry spokesman declined to comment on the report.

The F-404 engine powers the U.S. Air Force's F-18 fighter and its F-20 Tigershark, and Sweden's JAS-39 Grippen fighter.

The Times of India newspaper said Mr. Weinberger and Indian officials were also likely to discuss an agreement for joint production of a light attack helicopter.

■ **Development in India**

*Richard M. Weintraub of the Washington Post reported from New Delhi:*

The transaction would be India's first major purchase of military equipment from the United States in years. The engines would be used in the development of India's first generation of combat aircraft.

The light combat aircraft, as the plane is being called during its design phase, is intended to be India's first indigenously produced major warplane and would come into service in the mid-1990s. It would serve the country well into the next century.

The craft carries few weapons and primarily is used to intercept other aircraft, rather than to support ground troops.

The aircraft is one of three or four projects clearly designed to propel India, which already has the world's fourth-largest armed forces, into self-reliance in major weapons systems that so far it has had to purchase from the Soviet Union or the West.

U.S. officials in Washington said they had been informed that approval of the sale "was on the way."

The powerful engine is looked upon in aviation circles as one of the most advanced jet engines.

India is designing its own jet engine at its laboratories in Bangalore, but it is not expected to be operational for several years.

The initial discussions with GE reportedly involve the purchase of at least 10 F-404 engines for the early prototypes of the light combat aircraft and perhaps as many as 50 to 60 more, depending upon the pace of development of the Indian engine. Total production of the aircraft likely will run into the hundreds.

A final contract for the engines has yet to be negotiated, but the initial purchase alone would be worth many millions of dollars. India's current aircraft inventory draws heavily on the most advanced Soviet, French and British aviation technology — the new MiG-29, the Mirage 2000 and the Jaguar fighter-bomber — and there have been few if any military purchases of consequence from the United States in more than two decades.

U.S. policy-makers decided after Rajiv Gandhi succeeded his assassinated mother, Prime Minister Indira Gandhi, however, to try to develop closer cooperation and open the way to sharing more of Washington's advanced technology with New Delhi.

The initial limited nature of the engine purchase reflects a deep-seated caution on the part of India in dealing with Washington, which currently is one of Pakistan's main military suppliers.

Some U.S. policy-makers have been reluctant to move too quickly in dealing with New Delhi, citing India's arms relationship with the Soviet Union, a relationship that Indian experts argue was necessitated by U.S. arming of Pakistan and by India's own fears of China.

The sale of the F-404 engine was approved by the Pentagon more than a year ago and Washington is known to have expressed an interest in assisting India in the overall development of the new aircraft.

Indian designers, however, have targeted certain aspects of advanced U.S. technology and, so far, have kept a more comprehensive relationship at arm's distance.

A team from Northrop Corp. is due in New Delhi within the next several days to continue earlier discussions with Indian officials on both the F-20 technology and possibly on cooperation on management techniques in developing something as complex as a modern warplane from design through production.

India has one of the world's largest pools of engineering and manufacturing talent upon which to draw and has designed and built everything from cement factories to warships, but the design and production of a major warplane utilizing 21st-century technology is mastered by very few countries.

## Drop Reported In Shipbuilding

*Reuters*

PARIS — New orders in the world shipbuilding industry plunged 29.6 percent in the first half of 1986, compared with the first six months of 1985, the Organization for Economic Cooperation and Development said Tuesday.

Figures from an OECD shipbuilding grouping of 14 countries and the European Community showed that European countries had a sharp decline, with orders for the first six months down 69 percent to 422 vessels from 1,355 a year earlier.

Orders in Japan, the biggest builder of the 13 countries cited in the report, fell 14 percent to 3,001 vessels from 3,503. The worst drop in Western Europe was in West Germany, with 68 new orders against 395 in the first half of 1985.



**BUSINESS PEOPLE**

# Borg Names Protective Service Chief

By Arthur Higbee
*International Herald Tribune*

Terrorist incidents are a professional concern for Charles R. Schneider, who has been named president and chief operating officer of Borg-Warner Corp.'s Protective Services Group.

"We try to learn from these things from the standpoint of our clients who might be in a similar position," Mr. Schneider told The New York Times. He takes over from the protective services chairman, James J. Gavin Jr., who had filled in after Malcolm F. Baker resigned in June.

The Protective Services Group, also known as Baker Industries Inc., is the world's largest protective services company, with 55,000 employees and 500 branch offices in the United States. It includes the Wells Fargo guard, alarm and armored car companies; Pyrotronics, an alarm division, and Burns International Security Services. Headquarters are in Parsippany, New Jersey.

Mr. Schneider, 46, a graduate of Pennsylvania State University and Harvard Business School, joined Baker in 1978. Of its three divisions — electronic security, transportation and physical security, and the guard business — Mr. Schneider ran physical security, but he said electronic security would have the greatest growth.

"Our job is not to apprehend suspects," he told the Times. "We are to provide a deterrent."

**INSEAD**, or Institut Européen d'Administration des Affaires, the private, multinational business school near Paris, has named Philippe Naert, a Belgian, to join Claude Rameau, 49, of France, as co-dean. Mr. Naert, 43, replaces Heinz Thanheiser, 45, an Austrian, who will take a year's sabbatical and then return to INSEAD to teach business policy. Mr. Naert, a professor of marketing, joined INSEAD in 1984 and most recently has been associate dean for research and development. Trained as an engineer at the University of Louvain, he holds a master's degree from the University of Manchester and a doctorate from Cornell University at Ithaca, New York.

**National Westminster Bank PLC** of London has appointed Richard Goddin, 43, as deputy treasurer of its domestic banking division, succeeding David Jude, who becomes assistant director for banking services of Lombard North Central, NatWest's installment credit and leasing subsidiary. Previously, Mr. Goddin was treasurer of Lombard North Central.

**Union Pacific Railroad** has named Michael H. Walsh chairman and chief executive officer. Mr. Walsh, 44, comes from Cummins Engine Co., where he was executive vice president and general manager of Cummins's worldwide engine and components businesses. Mr. Walsh will succeed Drew Lewis, 54, who will move up to president and chief operating officer of the parent company, Union Pacific Corp. The corporate presidency is being vacated by William S. Cook, who remains corporate chairman and chief executive officer. When Mr. Cook, 64, retires a year from now, Mr. Lewis, a former U.S. secretary of transportation, will succeed him.

**ABD International Management Corp.**, a New York-based unit of West Germany's Dresdner Bank, has appointed Masanori Yoshida senior managing director in charge of its new Tokyo office. Mr. Yoshida switched over from Daiwa Securities Co., Tokyo, which he joined in 1955. His last post was the presidency of Daiwa International Capital Management Corp. in New York.

**COMPANY NOTES**

**Cable & Wireless PLC** said it plans to list its shares on the Hong Kong Stock Exchange before the end of the year. C&W, which was recently listed in Tokyo, said it also is seeking listings on the Zurich, Basle, Geneva and Frankfurt bourses by the end of the year.

**Campeau Corp.**, a Canadian real-estate developer, raised its bid for Allied Stores Corp., the big U.S. department-store operator, to $66 a share from $58. Allied declined to comment on the latest proposal.

**Dayton Hudson Corp.**, a U.S. department-store operator, said it would sell its B. Dalton Bookseller division, the largest U.S. bookstore chain. The announcement, which had been expected, did not specify a sale price or identify any possible buyers. B. Dalton, which operates 700 stores nationwide, had 1985 revenues of $538.1 million.

**Hyundai Motor America** will raise U.S. prices on the 1987 versions of its Excel subcompact by 3.3 percent to 3.9 percent, but has yet to price its least expensive car. The South Korean automaker said the increase would add about $200 on average to the price of the Excel.

**Imperial Chemical Industries PLC's** bid for some assets of Enka BV will not be referred to the U.K. Monopolies and Mergers Commission, the Department of Trade and Industry said.

**Industrial Equity Ltd.**, Sydney-based investment group, said its net income in the fiscal year ended June 30 rose 183 percent from a year earlier, to a record 145.3 million Australian dollars ($91 million at current rates) from 51.2 million. The company also announced a 1-for-5 rights issue, at 2 dollars a share.

**Marine Midland Banks** said it had sold a 51-percent stake in CM&M Group, a primary dealer in U.S. government securities, to Hongkong & Shanghai Banking Corp. Terms were not disclosed. The Hong Kong bank holds a 51-percent stake in Marine.

**Mayflower Group Inc.**, the fourth-largest U.S. household moving company, said that a group led by senior management was trying to take the company private in a leveraged buyout. Mayflower did not value the offer, but a recent addition to the company's articles of incorporation guarantees shareholders no less than $30 a share in the event of a buyout, or an indicated $244.2 million.

**Peninsular & Oriental Steam Navigation Co.** said it would keep its stake in European Ferries Group PLC below 21 percent pending a U.K. Mergers and Monopolies Commission investigation of its earlier offer to acquire 50.01 percent. The bid was referred to the commission in June.

**Solvay & Cie.**, the Belgian chemicals group, said consolidated group net earnings rose to 4.86 billion francs ($115.7 million at current rates) in the first half of 1986 from 4 billion a year earlier, despite a 3.7-percent decline in revenue, to 112.9 billion francs. It said it expected second-half earnings to also show a gain.





**THE EUROMARKETS**

# Sterling-Straight Sector Soars; Bundesbank Action is Cited

By Christopher Pizzey
*Reuters*

LONDON — The sterling-straight sector of the Eurobond market was volatile again Tuesday, with prices soaring after Monday's sharp falls, dealers said. Some dealers cited a jump in the pound that was aided by the Bundesbank's buying Tuesday.

Most other sectors ended little changed.

On Monday, sterling-straight issues had plunged 2 points or more but on Tuesday the issues rose by as much as 2 points as the currency jumped.

Otherwise, activity was subdued, with the primary market again seeing only two new issues out of London — one an equity-warrants issue and the other a high-coupon dollar straight.

Dealers said that although upward pressure still remains on U.K. bank base rates, Monday's huge falls in prices were now being regarded as overdone.

A trader at a U.K. merchant bank said: "Looking back, the market was open to a bear squeeze, and that's what it got." He added, however, that he still believed that sterling bonds had further to fall.

The main trader at a European house added that his firm had seen some demand from the Benelux countries in the morning Tuesday following news that the Bundesbank had bought sterling in Far East markets overnight.

The trader added that this could prove to be a significant turning point in sterling's fortunes. "The Bank of England is expected to defend sterling, the Bundesbank isn't," he said. However, he added that he thought it would be unwise to be that long on sterling paper at present.

The dollar-straight sector ended unchanged to slightly higher, with dealers saying that the market remains nervous, awaiting clearer signs about currencies and interest rates. A smaller-than-expected $13.32-billion U.S. merchandise-trade deficit in August helped sentiment, they added.

Dealers said the market had expected a trade deficit of $15 billion to $17 billion, with some market estimates going as high as $20 billion. The lower figure implied that a further weakening of the dollar might not be necessary to narrow the deficit, they added.

Tuesday's two new issues were both led by Nomura International Ltd. The first was a $50-million equity-warrants bond issue for NHK Spring Co. that pays an indicated coupon of 3¾ percent over five years. The second was a $30-million bond issue for Outokumpu, the Finnish company, paying 9 percent over five years and priced at 107½.

Floating-rate-note issues were little changed on the day, with dealers noting that period Eurodollar deposit rates have remained little changed since Friday, despite the lack of any agreement on rates at last weekend's Group of Five meeting in Washington.

# Tuesday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
*Via The Associated Press*

## AMEX Highs-Lows

NEW HIGHS 7

| | | | |
|---|---|---|---|
| Buell Ind s | EECO s | ElecAm | OBrienEny s |
| OhioArt Co | PGE [illegible] | SwiftEngy | |

NEW LOWS 16

| | | | |
|---|---|---|---|
| AmRealty | AmTechCer | AmeslAl | Baruch Fos |
| ConquestEx w | EsaRad [illegible] | LearPlPart | LorimarTele |
| MagnetBks | Movie Star | NRM Eng | Rossberg |
| TIE Comm | Telesclen | Tortel | Weathrfd st |

## France to Ease Controls On Currency Exchange

*Agence France-Presse*

NANCY, France — France will ease its exchange controls within the next few weeks, allowing residents to hold foreign currency accounts, Finance Minister Edouard Balladur said here Tuesday.

But banks will not be allowed to lend francs to nonresidents, although this could occur "at the right time," he said.

Mr. Balladur also said that, in agreement with the U.S. Treasury secretary, James A. Baker 3d, the two countries would jointly request a meeting of the Group of Five, which also includes Japan, West Germany and Britain, if there was a "slipping" in the main economic indicators, such as exchange rates, growth rates and trade figures.



## Penguin Books Agrees to Buy NAL

*United Press International*

NEW YORK — Penguin Publishing Co., a subsidiary of Pearson PLC of Britain, has agreed in principle to acquire New American Library, Pearson announced Tuesday.

No financial details of the acquisition were revealed.

Pearson is a diversified company that owns the Financial Times, Longman Group, Sperry Engineering and Royal Doulton China and has interests in oil and financial companies, including Lazard Frères.

Pearson will purchase the U.S. publisher from a group of investors and NAL management.

NAL publishes 300 to 400 books a year. Its imprints are NAL Books, a hardcover line, Plume, Signet, Onyx, Signet Classics, Mentor and Meridian. NAL purchased E.P. Dutton in 1985.

Penguin in the United States consists of Viking Press and Penguin Books.

Robert Diforio, NAL's chairman and chief executive officer, said of the acquisition, "They evinced interest, and we perked up our ears."

He said the agreement "means the key management here, who are stockholders, will continue. That was one of the requirements on both sides that we do stay in place."

John Webster, group finance director at Penguin, said there were no immediate plans to integrate the two publishing groups.

"The fundamental reason for wanting NAL lies in strengthening our group," he said.

Mr. Webster said the company has a strong hardcover line in Viking and a good paperback line in Penguin, but "we have not had the mass-market thrust that we would have liked."

Mr. Diforio said that when NAL purchased Dutton, "all publishing and editorial remained at Dutton. We combined the financial end of it to a great degree and created a new combined selling operation."

He said that might be a possibility for NAL-Pearson but details are yet to be worked out.

Penguin has companies in many countries including Australia, New Zealand and Canada. Mr. Webster said that the Penguin group had revenues last year of about $144 million, based on current exchange rates, with earnings of about $14 million.

## Trafalgar Says It Holds Stake In Grand Met

*New York Times Service*

LOS ANGELES — Trafalgar Holdings Ltd. said Tuesday that it had acquired a significant stake in Grand Metropolitan PLC, the British conglomerate that rejected a $900-million bid by Trafalgar for its hotel interests in June.

Gary M. Fishman, a spokesman for the closely held investment firm, said Trafalgar had less than 5 percent of Grand Met's shares and might acquire more as market conditions dictate.

Charles W. Knapp, Trafalgar's chairman and the former head of Financial Corp. of America, is in London but has not met with Sir Stanley Grinstead, Grand Met's chairman, Mr. Fishman said.

Executives at Grand Met headquarters in London could not be reached by telephone and Mr. Fishman declined to elaborate on Trafalgar's plans.

In rejecting Trafalgar's earlier bid for its hotels, which include the Intercontinental chain, Grand Met had indicated that the properties were not for sale.

## *Malaysia to Revise Foreign-Ownership Rules*

*United Press International*

NEW YORK — Prime Minister Mahathir bin Mohamad of Malaysia said Tuesday that his government will permit 100 percent foreign ownership of manufacturing operations in the country under a variety of new conditions.

Previously, according to the Malaysian Industrial Development Authority, foreign ownership was generally limited to 80 percent.

Full foreign ownership will now be permitted of a company that either exports at least half of its production, sells at least half its output to businesses located in special free-trade zones, or has at least 350 full-time Malaysian employees, he said.

Mr. Mahathir, speaking at a seminar on Malaysian investment, said Malaysia also will now permit any company with capital of at least $2 million to maintain five expatriate positions. He said the government will not require fresh work permits when the expatriate employees are changed, and will automatically provide visas during the first 10 years of the investment period.

Additional expatriate posts will receive favorable consideration, he said.

Employment of Malaysians at foreign-owned businesses "should reflect approximately the racial proportion of the country," he said.

The new regulations will apply to investments made between Oct. 1, 1986, and December 1990, the prime minister said.

Mr. Mahathir said that although the United States is among the top five nations that invest in his country, American business interests in Malaysian industry "are literally a drop in the bucket."

He said, "To date, U.S. investments in Malaysia's manufacturing sector totaled a mere $128 million" in capital, with $358 million of fixed assets.

## *Thai Stock Index Rises To a 7-Month High*

*Reuters*

BANGKOK — The Securities Exchange of Thailand's index gained 1.25 points to hit a seven-year high of 162.37 Tuesday as low interest rates and growing money-market liquidity prompted more investors to enter the equity market, brokers said.

The index ended the month 12.53 points higher than it was at end-August. Daily volume rose to 598,053 shares valued at 111.4 million baht ($4.28 million) from Monday's 311,300 shares valued at 62.6 million.

## *Japanese Post Record in Trading Of Foreign Stock*

*The Associated Press*

TOKYO — Japanese trading of foreign securities set record highs in August, according to figures released Tuesday by the Ministry of Finance.

Japanese investors bought a record $2.384 billion and sold a record $1.79 billion worth of foreign stocks in August, the ministry said. That surpassed the record activity in July, when Japanese investors bought $1.88 billion and sold $1.03 billion in foreign stocks.

Officials attributed the surge to the yen's sharp appreciation against the dollar, which enabled investors to purchase larger baskets of foreign securities than before. The increase in holdings of foreign securities also prompted greater profit-taking among Japanese investors, officials said.

Lower prices for U.S. Treasury securities continued to make Japanese investors net purchasers of foreign public and corporate bonds in August. Foreign bond purchases were $114.51 billion and sales $106.95 billion for a net purchase of $7.56 billion.

## CURRENCY MARKETS

# Dollar Buoyed by U.S. Trade Report

*Compiled by Our Staff From Dispatches*

NEW YORK — The dollar turned higher Tuesday on the strength of better-than-expected U.S. trade figures and intervention by the West German central bank. But dealers said trading was quiet, and that market operators appeared willing to stand pat on positions they had already built.

"Evidently, the dollar is now in a narrow trading range and may be stuck for awhile," said Carmine Rotondo, chief trader for Security Pacific International.

In New York, the dollar closed at 2.0250 Deutsche marks, near its day's high and up from 2.0190 at Monday's close, after the U.S. Commerce Department reported that the U.S. trade deficit narrowed to $13.32 billion in August from a record $18.04 billion in July.

The U.S. currency also recovered to 154.25 yen from 153.55; to 6.6335 French francs from 6.6125, and to 1.6450 Swiss francs from 1.6378.

Dealers said the trade report buoyed the dollar because it suggested that the currency's long decline may finally be starting to have an impact on the chronic U.S. trade imbalance. Many analysts had expected the deficit to widen to $20 billion in August.

Thus, they noted, the U.S. administration would have less reason to push for a weaker dollar.

Late in the session, however, President Ronald Reagan, addressing the annual meeting of the International Monetary Fund, called for other countries to boost their economies and, significantly, said that U.S. interest rates should come down further. This again reversed dollar sentiment, dealers said.

Dealers said the dollar also was temporarily boosted when West Germany's Bundesbank bought small amounts of dollars for the second straight day to keep it above 2 DM. But uncertainty over official U.S. policy toward the dollar would continue to put a brake on the currency, dealers said.

"We could reach 2.05 marks within days, but most operators are content to avoid long dollar positions these days," a trader said.

In other markets, the dollar was fixed at midday in Frankfurt at 2.0207 DM, down from 2.0272 at the Monday fixing, and at 6.6220 French francs in Paris, down from 6.6370. It rose to 1.6453 Swiss francs in Zurich from 1.6440.

Meanwhile, the British pound recovered from Monday's record lows after the Bank of England and the Bundesbank intervened to support it. Sterling's trade-weighted index rose in London to finish at 69, up eight-tenths of a point from Monday's record low of 68.2.

The British currency rose more than 3 pfennigs against the mark in London, to 2.9352 DM, and 1½ cents against the dollar, to $1.4473.

Dealers called the Bundesbank's intervention to support the pound significant in that it suggested a previously unknown currency agreement between the West German and British central banks.

*(Reuters, UPI)*

### London Dollar Rates

| Closing | Tue. | Mon. |
|---|---|---|
| Deutsche mark | 2.0275 | 2.0235 |
| Pound sterling | 1.4473 | 1.4348 |
| Japanese yen | 154.20 | 153.70 |
| Swiss franc | 1.6460 | 1.6420 |
| French franc | 6.6470 | 6.6368 |

*Source: Reuters*

# BIG BANG: *American Companies Are Descending on London's Financial Markets*

(Continued from first finance page)

Eurobond trading, in which companies or governments float bond issues abroad — a practice that has mushroomed to $200 billion a year from $30 billion five years ago.

But London's stock, bond and gilt markets had been uninviting to outsiders. Stiff restrictions had discouraged foreign investors and even many in Britain. Now those restrictions are being rapidly phased out, with the most dramatic steps to be taken on Oct. 27 — "Big Bang" day.

After that day, an electronic stock market will have come into existence, facilitating off-floor trading. Individual firms, foreign or British, will be allowed to both trade stocks and represent customers, functions now kept separate.

The number of firms sanctioned by the Bank of England to trade in government gilts will have risen to 27 — eight of them American — from three British houses. And fixed brokerage commissions will be eliminated, allowing the sort of stiff price competition that Wall Street has known since it ended fixed commissions on May 1, 1975.

Wall Street has already attracted Japanese, British and West German institutions. And the Tokyo Stock Exchange has just opened its doors to foreign membership.

Now the battleground is switching to London in the belief that the new freedom from regulation will eventually attract billions of dollars of fresh investment in the stocks and bonds of British companies and the securities of the British government.

The prospect has convinced Wall Street that it will have to be as strong in London as in New York just to hang on to its American customers. An American, for instance, will expect a broker to be as adept at buying or selling a government gilt, or the securities of a Cadbury Schweppes or a Guinness in the enlivened London market.

Similarly, a U.S. corporate client will demand that its Wall Street investment bank find investors in London, too, and be familiar with the potential for acquiring a British company whose stock trades on the London exchange. Indeed, as financing and investing go global, U.S. banks and investment houses feel they must open avenues to a new cast of corporations and investors.

"Aiming to be a global player and avoiding London is like deciding you want to be in the U.S. investment banking business, but not in California," said Thomas W. Strauss, a member of the executive committee of Salomon Brothers. "We would absolutely lose worldwide if we were not in London."

But the risks of building up an operation in London are turning out to be enormous. Mr. Strauss concedes that there is probably not yet enough business to support the population of foreign firms moving in here. After all, the stocks of just 200 British companies are actively traded on the London exchange and the British government has only $180 billion worth of gilts outstanding, compared with $1.5 billion in U.S. Treasuries.

In addition, the peculiarly American transaction in which an investment firm buys or sells millions of dollars worth of a single security for its own account is risky enough on Wall Street — and hair-raising when transplanted to London's low-volume marketplace.

Already, London stockbrokers have come up with a nickname, "bought deal," for the sort of heady risk-taking that Goldman, Sachs undertook with the Maxwell trade.

"The problem is the appetite of the U.S. houses," said William Turner, a principal with McKinsey & Co., the consulting firm. "They want to add an extra three zeros to their results and might take more risk to get there."

Anticipation of the Big Bang has touched off a stampede akin to the Oklahoma land rush. Never before has so much capital and such high-powered financial talent been poured into a marketplace in such a short period. Ten Wall Street firms and U.S. commercial banks bent on getting into the brokerage and investment banking business — and more than a dozen other foreign firms — are adding hundreds to their London staffs, committing tens of millions of dollars to securities trading and racing to install the latest electronic gadgetry for links to all parts of the globe.

There have been more than $2 billion worth of acquisitions and consolidations of British firms. Most have been by the British themselves, as they brace for the foreign competition by uniting with each other.

"We are certainly not going to step aside and let them have the business," vowed Robin T. Fox, vice chairman of Kleinwort Benson. Kleinwort Benson is a major British merchant bank that has joined with a British stockbroker and jobber to become a full-service firm.

But some U.S. firms are already slicing into the traditional domains of the British merchant bankers and brokers. Goldman, Sachs jumped to fourth in the dollar volume of British mergers and acquisitions that it handled in this year's first half.

Security Pacific Hoare Govett, the London stock trading arm of Security Pacific Bank, and Salomon Brothers, combined to engineer a stock purchase similar to the Goldman, Sachs transaction for Mr. Maxwell, although about half the size. And Bankers Trust has put together seven large leveraged buyouts of British companies by management, including two of the three largest.

As the competition unfolds, which of the American players will ultimately be beaten back and which will succeed in establishing London as part of a global link may well depend on their patience in sustaining early losses. In gilts, a number of experts believe as many as half of the 27 primary dealers will have thrown in the towel a year from now.

In the meantime, not all of the arriving American firms want to take on too much risk. Morgan Stanley and Drexel Burnham Lambert decided that gilts trading would be a no-win game at first and plan to watch from the sidelines.

Morgan Guaranty Trust and Bankers Trust, on the other hand, will be part of the free-for-all in gilts, but will not attempt, at least for now, to build their own stock market teams.

Shearson Lehman Brothers International will also go strongly into gilts, capitalizing its trading unit at more than $50 million because "major institutional customers around the world are all trying to cut down the list of firms with which they will do business," says Jacques P. Gelardin, Shearson's chairman here.

"Those that have limited product don't make the cut," he said. "A Japanese institution may want to deal with the same firm in Deutsche mark government bonds, U.S. Treasury securities, Eurodollar bonds and British gilts. If a particular firm is a factor in all those markets, it will get the call."

In the equities market, Alfred Vinton, vice chairman of Morgan Guaranty Ltd., says of his bank's decision to hold back: "Even though we have a blueprint to become one of the major houses, we just don't have to be there right now. We don't want to be like Citibank that will try something and stop if it's not working. We don't want to make mistakes."

Citicorp, for its part, prefers not to wait. It paid $75 million for two British brokerage and research houses: Vickers da Costa, which specializes in research of Far East stocks for British institutions, and Scrimgeour Kemp-Gee, whose forte is research on British companies.

"Part of our thinking," said Frederick Pettit, chief executive officer of Scrimgeour Vickers, the equity brokerage arm of Citicorp in England, "is to leverage our business with major institutions."

Global stock research and the entrée it provides to institutional customers is an essential part of the strategies of a number of U.S. banks as they concoct creative financing deals for corporations throughout the world.

"It's very hard to be a credible brewer of a new potion unless you have all the ingredients on the shelf, including an equity quotient," Mr. Pettit said.

Security Pacific Bank and Shearson Lehman International also bought London brokerage firms. Other American firms setting up in the City decided against the so-called "golden hello" of a high-priced acquisition, but paid dearly in the London job market for research analysts and experienced gilts traders. They then blended them in with their own transplanted equity market makers and U.S. government bond traders.

Prudential Bache Securities, which has capitalized its London operation at $100 million, decided to build its equities and gilts units "brick by brick," said Will Custard, executive vice president.

# CHARITY: *Firms Re-Evaluate*

(Continued from first finance page)

National Charities Information Bureau and the Philanthropic Advisory Service of the Council of Better Business Bureaus to evaluate charities' effectiveness. These agencies issue written reports on nonprofit organizations.

Similar information is available in Britain through the Charities Aid Foundation, but most of the large British corporate contributors say they prefer to do their own investigation and evaluation.

"We have our own evaluation and monitoring system," said Mr. Heal of BP.

Some companies play it safe in choosing their charities in the first place.

"The charities we support are pretty well known," said Ken Rushton, secretary of ICI's charity appeals committee.

# TRADE: *U.S. Balance Improves*

(Continued from page 1)

ures, the U.S. trade deficit for the first eight months of the year is running at an annual average of $173 billion, far above last year's record of $148.5 billion. Clayton K. Yeutter, the U.S. trade representative, has estimated that the deficit will approach $200 billion this year.

The August report showed a 13.5-percent drop in imports, to $30.93 billion. But U.S. sales overseas failed to improve, with exports decreasing a slight 0.6 percent to $17.6 billion.

Mr. Jasinowski of the manufacturers' association said the decrease in imports of computers, telecommunications equipment and electrical machinery probably reflected price increases caused by the higher value of the U.S. dollar.

But he discounted a similar decrease in sales of foreign autos as "overstated," since a large increase in sales of U.S. cars is due to financing incentives offered by the automakers. As a result, Japanese car imports dropped 27.5 percent.

"How long that can last is questionable," he said.

U.S. farm trade moved into the black in August for the first time in four months. Agricultural exports rose 10.7 percent, to $1.9 billion, and the farm sector recorded a $132-billion trade surplus for August after three months of deficits, the first deficits in 27 years.

Despite the slowing in some imports, the trade deficit for manufactured goods stood at $12 billion, a $4.1-billion decrease from August.

The largest U.S. deficit for August was $4.7 billion with Japan, down $800 million from July, followed by deficits of $2.5 billion with Western Europe, down $1.8 billion; Canada, $2.2 billion, down $100,000; and Taiwan, $1.5 billion, down $200 million.

# FIAT: *Share Allocations Reduced*

(Continued from first finance page)

would have been prevented from selling the securities on the Milan Stock Exchange and would have been obliged to trade them in the international market, which led to worries about how liquid such an offshore market would be.

Lead manager Deutsche Bank AG informed underwriters that physical delivery of the shares would be made within seven days of the Oct. 7 settlement date.

Fiat's common stock closed Tuesday in Milan at 14,980 lire, compared with 16,600 lire when the sale was announced.

The common stock being offered was quoted Tuesday at $10.25-$10.50, compared with the offering price of $11.28.

The preferred shares (offered at $7.06) and the savings shares (offered at $6.75) were both quoted at $5.875-$6.25.

Bankers said there was some evidence that Italian insurance companies and other institutional investors now regarded the price as a bargain and were beginning to step up their buying and helping to support the price.

However, underwriters were estimated to be sitting on big losses, at least on paper, of about $75 million.

Underwriters estimated that at least 25 percent of the common stock offered by the Libyans remaining to be sold and about 70 percent of the preferred and savings shares is still unsold.

Compared with the price that underwriters paid to buy the stock, they were losing 60 cents on the common stock, 95 cents on the preferred shares and 65 cents on the savings shares.

### Kroger to Sell Drug Units

*United Press International*

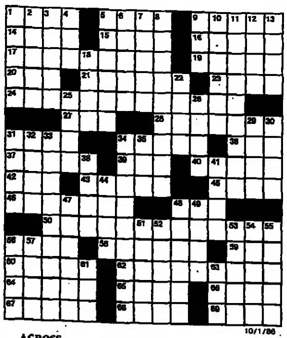
CINCINNATI — Kroger Co. said Tuesday that it plans to sell its retail drug business, including SupeRx Drug Stores and Hook Drugs Inc., through private transactions. The retailer said the proceeds of the sales, part of a restructuring announced in July, will be used to reduce debt, purchase shares of Kroger common stock outstanding and for other corporate purposes.

# Tuesday's OTC Prices

NASDAQ prices as of 4 p.m. New York time.

*Via The Associated Press*

| 12 Month High | Low | Stock | Div. | Yld. | Sales in 100s | High | Low | 4 P.M. | Net Ch'ge |
|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |



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**ACROSS**

1 Ratchet-wheel regulator
5 Ancient strongbox
9 Rate of motion
14 Rose Murphy's spouse
15 Tailless amphibian
16 Eye at the end of a lariat
17 "The ——," Procter poem
19 Organic compound
20 Actress Arden
21 Vacation place
23 Dispatched
24 The constellation Ophiuchus
27 Roman bronze coin
28 Like a leopard
31 Paving stone
34 Administered medication
36 At all, in Ayr
37 Zenana
39 Before, to the Bard
40 Snooped
42 Coin of Norway
43 "—— Dream," Wagner aria
45 Part of A.D.
46 Flexible
48 Chum
50 Medusa's hair stylists?
56 Relative of a jaeger
58 Intertwine
59 Garland for a wahine
60 Unusual objet d'art
62 Preshower activity
64 Author St. Johns
65 Always
66 Gulf of the Arabian Sea
67 Explode
68 Hideaways
69 Royal stables

**DOWN**

1 Pickets
2 Over
3 More sagacious
4 Allow
5 European capital
6 Perch
7 Mediterranean tree
8 Formal speeches
9 Haggard novel
10 Spiced hot milk and wine
11 Amuse
12 Barbara from Tucson
13 Move swiftly and abruptly
18 Mont. Indian
22 Type of recording
25 Canapé spread
26 Units of length
29 Level
30 Ornamental wall section
31 Brogan or ghillie
32 Nobleman
33 K. D. Ortega's role at D.C.
34 Went down
35 Anglo-Saxon money
38 Kind of physician
41 Item read by some
44 Similar to
47 Escargots
48 Ind. court team
49 A lover of Atalanta
51 Founder of the empire of British India
52 Safe harbor
53 Omit; ignore
54 Freshen
55 Omens
56 Strikebreaker
57 African antelope
61 —— Willie of comics
63 Scotch cap

© *New York Times, edited by Eugene Maleska.*

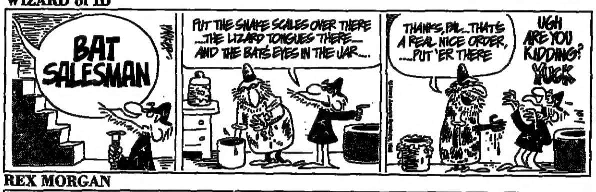
## PEANUTS


## BLONDIE


## BEETLE BAILEY


## ANDY CAPP


## WIZARD of ID




## REX MORGAN


## GARFIELD


## DENNIS THE MENACE

SOMETIMES GROWN-UPS FORGET THAT THEY'RE TALKING TO SOMEONE WHO DOESN'T KNOW WHAT THEY'RE TALKING ABOUT.

## JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

THERB

NEUSE

PEKUPE

EVVELT


Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: HIS

(Answers tomorrow)

Yesterday's | Jumbles: SUAVE AWARD JUMBLE UNLOCK
Answer: For an opinion to be sound it must not be this— ALL SOUND

# WEATHER

EUROPE — HIGH LOW — ASIA — AFRICA — LATIN AMERICA — NORTH AMERICA — MIDDLE EAST — OCEANIA

[illegible]

# BOOKS

**THE LOST LANGUAGE OF CRANES**

*By David Leavitt. 319 pages. $17.95. Alfred A. Knopf, 201 East 50th Street, New York, N. Y. 10022.*

Reviewed by Christopher Lehmann-Haupt

DAVID Leavitt's skillful first novel (he has published a collection of stories, "Family Dancing") is about a New York City family in crisis. Owen Benjamin, admissions director of a private boys' school, has for years been routinely unfaithful to his wife. Now, as the novel begins, his sexual appetite is beginning to threaten their marriage.

To add to the Benjamins' troubles, their midtown apartment is about to go co-op, and they cannot afford to buy it, let alone pay the monthly maintenance on it. Then, on top of these other problems, their grown son, Philip, comes to dinner and reveals that he is struggling with exactly the same sexual difficulty that is troubling his father.

This drama would seem to have all the earmarks of a comedy by the Roman playwright Plautus — disguise, coincidence and sexual misunderstanding. Add to the challenge that Leavitt has set for himself the complication that both father and son are homosexual. What a miracle it is, then, that "The Lost Language of Cranes" is neither comic nor bizarre, but a multilayered work of sensibility.

As he demonstrated in his story collection, Leavitt is gifted at portraying the emotional interaction of family members, particularly the crises brought on when parents and children, by virtue of growing older, are forced to give up or reverse their accustomed roles. And while Owen's secret guilt skillfully portrays the conflicts of an older generation, it is Philip's relations with various lovers that stand as the novel's norm. These friendships are so relatively free of guilt and so focused on feelings bound to arise in any close relationship that a reader nearly forgets the issue of sexual identity and identifies with what is universal among lovers.

Despite all its virtues, Leavitt's novel contains many technical flaws. Its narrative voice is too unstable; it pretends to show everybody's point of view, but it is subtly biased in favor of Philip's outlook. Thus Owen comes out as a mere accessory to his son. In the final scenes, their roles are reversed and the son ministers to the father, while Rose, the mother, is dismissed from the scene along with the rest of the straight world, which in any case is underrepresented — another shortcoming.

The cumulative effect of such flaws finally keeps this novel from taking flight. But it is not the subject matter that limits it. This in itself is a small revelation, and suggests that Leavitt's future may be one worth watching.

*Christopher Lehmann-Haupt is on the staff of The New York Times.*

## BEST SELLERS

The New York Times

This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

**FICTION**

| This Week | | Last Week | Weeks on List |
|---|---|---|---|
| 1 | IT, by Stephen King | 1 | 3 |
| 2 | RED STORM RISING, by Tom Clancy | 2 | 9 |
| 3 | WANDERLUST, by Danielle Steel | 3 | 11 |
| 4 | THROUGH A GLASS DARKLY, by Karleen Koen | 5 | 4 |
| 5 | A MATTER OF HONOR, by Jeffrey Archer | 4 | 13 |
| 6 | LAST OF THE BREED, by Louis L'Amour | 6 | 16 |
| 7 | ROGER'S VERSION, by John Updike | 9 | 2 |
| 8 | REGRETS ONLY, by Sally Quinn | 7 | 6 |
| 9 | SUSPECTS, by William J. Caunitz | 8 | 7 |
| 10 | THE BOURNE SUPREMACY, by Robert Ludlum | 10 | 30 |
| 11 | THE GOOD MOTHER, by Sue Miller | 15 | 20 |
| 12 | I'LL TAKE MANHATTAN, by Judith Krantz | 13 | 23 |
| 13 | THE MAMMOTH HUNTERS, by Jean M. Auel | 11 | 45 |
| 14 | ACT OF WILL, by Barbara Taylor Bradford | 12 | 15 |
| 15 | THE BEET QUEEN, by Louise Erdrich | | 1 |

**NONFICTION**

| This Week | | Last Week | Weeks on List |
|---|---|---|---|
| 1 | FATHERHOOD, by Bill Cosby | 1 | 21 |
| 2 | YOU'RE ONLY OLD ONCE! by Dr. Seuss | 2 | 29 |
| 3 | JAMES HERRIOT'S DOG STORIES, by James Herriot | 3 | 20 |
| 4 | MCMAHON! by Jim McMahon with Bob Verdi | | 1 |
| 5 | NECESSARY LOSSES, by Judith Viorst | 4 | 23 |
| 6 | MAYFLOWER MADAME, by Sidney Biddle Barrows with William Novak | 14 | 2 |
| 7 | WHEN ALL YOU'VE EVER WANTED ISN'T ENOUGH, by Harold S. Kushner | 7 | 24 |
| 8 | "AND SO IT GOES," by Linda Ellerbee | 5 | 16 |
| 9 | ROCK HUDSON: His Story, by Rock Hudson and Sara Davidson | 6 | 14 |
| 10 | SNAKE, by Ken Stabler and Berry Stainback | | 1 |
| 11 | A CAST OF KILLERS, by Sidney D. Kirkpatrick | 10 | 11 |
| 12 | FORD: The Men and the Machine, by Robert Lacey | 8 | 15 |
| 13 | THE MAN WHO MISTOOK HIS WIFE FOR A HAT, by Oliver Sacks | 9 | 26 |
| 14 | A LIGHT IN THE ATTIC, by Shel Silverstein | | 175 |
| 15 | ONE KNEE EQUALS TWO FEET, by John Madden with Dave Anderson | | 1 |

**ADVICE, HOW-TO AND MISCELLANEOUS**

| This Week | | Last Week | Weeks on List |
|---|---|---|---|
| 1 | MEN WHO HATE WOMEN & THE WOMEN WHO LOVE THEM, by Susan Forward and Joan Torres | 4 | 2 |
| 2 | THE ROTATION DIET, by Martin Katahn | 1 | 19 |
| 3 | FIT FOR LIFE, by Harvey Diamond and Marilyn Diamond | 2 | 58 |
| 4 | WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY (Merriam-Webster) | 3 | 66 |
| 5 | UNLIMITED POWER, by Anthony Robbins | | 1 |

**Solution to Previous Puzzle**

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| G | A | S | P | S | | C | H | A | S | | P | S | I | S |
| A | L | E | U | T | | R | E | N | T | | A | C | C | T |
| R | O | L | F | E | | O | R | D | O | | R | H | E | A |
| B | U | F | F | A | L | O | B | I | L | L | C | O | D | Y |
| | | | E | L | O | N | | | E | C | H | O | | |
| M | E | T | R | E | S | | C | A | S | T | I | L | L | A |
| A | G | H | | R | E | F | E | R | | | S | M | E | E |
| I | R | E | S | | S | A | D | A | T | | I | A | G | O |
| N | E | W | T | | | R | E | B | E | C | | R | U | N |
| S | T | A | R | T | L | E | S | | S | L | U | M | P | S |
| | | R | E | A | L | | | A | L | A | R | | | |
| H | O | P | A | L | O | N | G | C | A | S | S | I | D | Y |
| E | L | A | M | | Y | E | A | R | | P | U | M | A | S |
| A | L | T | E | | D | A | L | I | | E | L | I | D | E |
| L | A | H | R | | S | P | A | D | | D | A | T | E | R |

10/1/86

# BRIDGE

By Alan Truscott

A star studded French squad prevailed in a third-round match in world championship pairs team play in Miami, but their German opponents gained heavily on the diagramed deal. The French East used a Michaels cue-bid of two hearts, showing spades and a minor. He eventually doubled five diamonds but refused to double six, a decision that proved to be wise.

South was Dick Schroeder, who won the opening spade lead in dummy, drew the missing trumps, and reviewed his prospects. The obvious play was to assume that West held both ace and queen of hearts. An expert alternative was to lead to the king and if that held the trick, strip the black suits. An end-play would result if East began with a doubleton queen of hearts, and could result if he had three hearts including the queen.

The latter possibility would need misdefense from West, who could take his ace immediately. But South knew that neither of these plays was likely to work, since East's double of five diamonds virtually guaranteed that he held the heart ace. He therefore fell back on a long shot that worked. He led the heart nine and ran it, finding the exact distribution he needed. This in effect pinned the seven, a crucial card.

If that had been with West, giving him Q-10-7, covering with the ten or queen would have given the defenders an extra heart trick to beat the slam. In the replay the French played five diamonds doubled and made an overtrick. The result was a gain of 7 points for Germany.

NORTH (D)
♠ A
♡ K J 8 4 3
♢ 10 5 4 3
♣ K 8 4

WEST
♠ K Q 5 2
♡ Q 10 2
♢ J
♣ J 7 6 5 2

EAST
♠ J 10 9 7 6
♡ A 7
♢ K
♣ A Q 10 9 3

SOUTH
♠ 8 4 3
♡ 9 6 5
♢ A Q 9 8 7 6 2
♣ —

Neither side was vulnerable. The bidding:

| North | East | South | West |
|---|---|---|---|
| 1 ♡ | 2 ♡ | 3 ♢ | 4 ♣ |
| 5 ♢ | Dbl. | Pass | 5 ♠ |
| Pass | Pass | 6 ♣ | Pass |
| 6 ♢ | Pass | Pass | Pass |

West led the spade king.

# World Stock Markets

*Via Agence France-Presse Sept. 30*

*Closing prices in local currencies unless otherwise indicated.*

Amsterdam — Brussels — Frankfurt — Hong Kong — Johannesburg — London — Milan — Paris — Singapore — Stockholm — Sydney — Tokyo — Zurich — Toronto (Sept. 29, Canadian stocks via AP) — Montreal (Sept. 29)

[illegible]

# SPORTS

Jim Rice

# Red Sox: This Year Even the Wind Blew Their Way

By Thomas Boswell
*Washington Post Service*

*(This is the first of four articles on major league baseball's four division winners.)*

WASHINGTON — In every sport, every year, athletes everywhere use the exhausted refrain: "This is our year."

However, in New England, when the topic is the Boston Red Sox, the phrase goes: "This is our year, I think."

When a team has not won the World Series since 1918, pessimism can be excused. For Red Sox fans to even half believe that this really could be "their year," genuinely propitious coincidences would have to join hands. This year, they did.

The 1985 Red Sox, who finished in fifth in the American League's East, were a typical Fenway Park collection. They were an obviously talented, offense-minded team of disconnected individuals that lacked three basic ingredients: morale, a pitching ace and a bullpen.

Like so many Red Sox teams, the 1985 squad scored 800 runs. In fact, they outscored opponents by 80 runs, a margin that, for decades, has translated into a 90-victory season. The Red Sox were masterful under-achievers: They went 81-81.

In a sense, the Red Sox were a success waiting to happen. What could turn an 80-run margin into a better won-lost record? What could turn talent into a team?

During the offseason, three things happened:

Mike Easler, a good, aging hitter, was traded for Don Baylor, a good, aging slugger. On paper, a push.

Roger Clemens, the organization's best pitching prospect, but a 7-5 disappointment in 1985, had shoulder surgery.

The team traded for relievers right and left, acquiring Sammy Stewart, Calvin Schiraldi, Wes Gardner and Joe Sambito. One of them, dadgum it, was going to give fading Bob Stanley some help.

Still, nobody figured that Clemens, who had never had a 200-inning season, would go 24-4 — and still counting — with a 20-strikeout game and 14-game winning streak.

Nobody understood that Baylor, with his fierce pride, would not only hit 31 home runs but join with Jim Rice to form a team core dedicated to team play. With Baylor around, Rice became a reborn and better player, sacrificing home runs for a better average (.319) and far more consistent clutch hitting. Such fellows as Bill Buckner, Wade Boggs and Dwight Evans — always willing to put the team first, if necessary, but not religious about it if things started going badly — were glad to jump on the "we" bandwagon, provided somebody else drove it. Baylor did, with Rice riding shotgun.

Finally, the bullpen became superb. First Stewart, then Sambito and lately Schiraldi have teamed with the erratic but stubborn Stanley to produce 40 saves. By the time the bullpen lost its first game at Fenway, the season had a week left.

Basically, the rest of the 1986 Red Sox have played almost exactly like the those of '85. Once again, they will score about 800 runs. The same good-to-great hitters performed as they had before. The team's defense remained slow and ungifted — 129 errors — but the spice of first place kept everyone alert and committed.

The rest of the starting pitching staff has not really improved much. Dennis (Oil Can) Boyd's earned-run average actually is worse this year, but his record has improved from 15-13 to 16-10 because of the bullpen and the spirit behind him. Bruce Hurst, thanks to a split-finger fastball, is a level better, 11-13 to 13-7; a midseason injury kept him fresh for the stretch. Al Nipper (10-11) is dogged, but mediocre or less. Tom Seaver (5-7 for Boston) hasn't done much.

"They're not a particularly special team," said the New York Yankees' coach, Roy White, with a shrug. "Clemens goes 24-4. That's the season right there. Will he do it again? Probably not. Nobody else has.

"Next year, Clemens will come back to earth, they will have a little letdown or some injuries and they will be right back in the pack with everybody else in this division, and they know it."

Fortunately for the Red Sox, they do realize it. Evans, Baylor, Buckner, Tony Armas, Stanley, Stewart, Sambito and Seaver are past their primes.

"I'm looking forward to the World Series," said Evans, Boston's senior player in service with 15 years. "Once we get there, we're going to go all the way. That's the way the guys feel about it."

So, should nonbelievers give credence to talk of this being *the* year of the Red Sox? Evans is glad to offer food for thought: This was the year the Red Sox finally lived by pitching as much as by offense, and it was the year the team's strength at the plate was tilted more toward hitting for average than hitting home runs.

This, in other words, is the year the Red Sox — so often tailored to Fenway and its Green Monster — wished the wall were not there. Or, if it had to be, that the wind would blow in every day.

Lo and behold: "This has been the worst summer in Boston in over 100 years, cool with the wind blowing in all the time," Evans said.

In a season when Fenway Park has become a pitcher's heaven, even wary Red Sox fans can finally dream that "this is our year."

Roger Clemens

# ...n Chernobyl's Shadow, ...l Soccer Star Is Rising

*International Herald Tribune*

...ONDON — It may be our stereotyped image of the Soviet Union, but ... last place on earth we would go now looking for a fairy story or would ...ect fantasy to flourish would be Kiev. Yet if that city, close to ...rnobyl, is to become Russia's first winner of the European Cup it will ...d Igor Belanov to confirm his sudden world class status this Wednesday.

...iev is in a tight spot. It drew, 1-1, in Bulgaria against Beroe Stara ...gora and has the home-field advantage for the second leg. Yet ...ryone knows that the Bulgarian champions are drilled through and ...ough on defense.

...iev is anything but a one man band. Indeed, it so epitomizes the ...ective spirit of Soviet sport that virtually its entire team, its tactical plan and its manager have been seconded to national colors. The players are superbly schooled in the lost art of accurate, first-time passing.

## ROB HUGHES

...ir discipline, their understanding, their confidence were irresistible in ... season's Cup Winners' Cup. Fine. Teams, not individuals win in the ...g run. Still, a special cutting edge, a flash of individual brilliance, is ...re likely than massed attacks to outwit Bulgarian obduracy.

...nter Belanov. He was sprung on the world last season, a right-sided ...acking player of flair, of pace and instinct. A player so apparently ...tined for stardom, so comfortable on the big stage, that he would fetch ...ew million from the piggy banks of Barcelona or Real Madrid or ...entus were he on the open market.

...ut the Russians discourage superstars, don't they? Yes and no. ...anov was in one sense freer than the likes of Michel Platini of France ...Gary Lineker of England, whose clubs would not release them to play, ...Belanov did, in the Rest of the World side in the UNICEF charity ...tch this summer.

...Belanov was chosen after scoring four times at the World Cup. His ...ect running at defenders in the Mexican heat was thrilling to us and ...kward, to say the least, to them. He scored a hat-trick in the astonish...g defeat against Belgium, beating Jean-Marie Pfaff with a 25-yard (23-...ter) shot high into the net, then with a low shot beneath the goalkeep...s body and, finally, from the penalty spot after being brought down.

The intoxicating flavor of that afternoon seemed to emanate from ...lanov's refusal to be subdued. Belgium caught his spirit and won, 4-3, ...overtime. But who was Belanov, where had he come from, why was his ...me not even among those of the players first named for the Soviet ...tion's team in the World Cup?

The answers are that, until Dynamo Kiev pulverized Atletico Madrid, ...), in the final of the Cup Winners Cup just three weeks before the ...orld Cup, Belanov was a 25-year-old going nowhere fast. Kiev's ...tory, and the sudden elevation of its manager, Valeri Labanovsky, to ...e national squad, opened the door to Belanov.

He came onto the team, and out went Oleg Protasov, the nearest thing ...a wonder boy in Soviet soccer. Protasov, 21, had scored the goals that ...d taken the Soviet Union to Mexico, and he indisputably was the ...ading scorer in the home league, yet he was out and Belanov was in.

Taken further back, the difference between the two raises hope among ...ose who cherish the romance of players born and not made, who ...spect it is bunk that talent has to be spotted in the cradle and put ...rough years of systematic coaching.

Protasov, burdened for so long by so much expectation, is a nervous ...rformer, apparently apt to freeze on the big day. Belanov, admittedly on ...e slender evidence of one summer, is the opposite. He is a relative novice ...trusted with his nation's penalty kicks. Yet, less than two years ago, he ...as a star only to the relative few supporters of Chernomorets Odessa. He ...ad been missed by all the extensive scouting methods that pluck out the ...est from literally hundreds of thousands of soccer-playing Soviet youths.

Far, far from the special training schools, the Sovkhouses, the young ...elanov kicked a ball around a courtyard outside his home in Odessa. He ...as spotted in the safety net for undiscovered talent, the nation-wide ...eather Ball competition, which he entered with his community boys team. ...hernomorets saw and nurtured his talent. He went away for army service, ...laying with the Odessa Army Club, then returned to Chernomorets and ...ttracted the attention of a very famous coach, Valeri Lobanovsky.

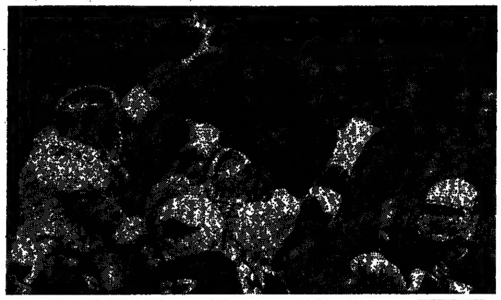
No, said Belanov, he did not wish to leave Odessa. Lobanovsky persevered, Belanov relented and two years ago joined Kiev in preseason ...raining. He feared the worst, and failed miserably at first. It doesn't matter, ...aid the coach. I expected worse. Rest, and tomorrow we shall get to work.

There were many difficult tomorrows that summer. Lobanovsky's ...erce discipline, the new demands on the player's personal as well as his ...laying habits, the separation from his wife and baby, who did not join ...im in Kiev until later. But then came the almost instant goal-scoring ...uccess, the thing that we in the West call "fame.

He is surrounded in Kiev by the best teammates a Russian club — and ...maybe any European club — has put together. He is alongside such a ...ational hero as Oleg Blokhin, the greatest Russian forward in history if ...ow an aging star known to be embittered by broken promises that he ...would be released to make a fortune in Western currency.

The World Cup, international recognition, Rest of the World selection. ...All that is behind Belanov. But it is probably as true in Kiev as anywhere ...hat the second and third seasons are the real test of a goal scorer.

And for Belanov, for Kiev's dream of bringing home the major club ...prize in the world, that season starts in earnest Wednesday night.



Neil Lomax, the Cardinals' quarterback, saw too much of the Cowboys' Bob Otto (76) and Randy White in the third quarter. Lomax was intercepted four times during the game.

# White Passes for 3 Touchdowns As Cowboys Rout Cardinals, 31-7

*The Associated Press*

ST. LOUIS — Quarterback Danny White threw three touchdown passes Monday night as the Dallas Cowboys beat the winless St. Louis Cardinals, 31-7.

The victory was Tom Landry's 256th as coach of the Cowboys and tied him for second place with Don Shula of the Miami Dolphins on the all-time National Football League list. George Halas had 325.

In Herschel Walker's first start in NFL, subbing for the injured Tony Dorsett, Walker carried the ball 19 times for 82 yards and caught the last of White's scoring passes. He was the game's leading rusher and his team's top pass catcher, with five for 57 yards. White was 16-of-29 passing for 223 yards, with two interceptions.

The Cowboys led by 10-0 at halftime, but had their lead cut to three when the Cardinals opened the last half with their touchdown. The Cowboys responded by burying the Cardinals.

After Gordon Banks' 56-yard kickoff return gave the Cowboys good field position at the St. Louis 42, White threw a 13-yard touchdown pass to Tony Hill, then 8½ minutes later passed eight yards to Walker for a touchdown.

Next to Banks' kickoff return, the play that hurt the Cardinals the most occurred just before halftime.

On third-and-six at the Dallas eight, quarterback Neil Lomax shoveled the ball ahead to running back Earl Ferrell, who pitched it back to Lomax, who threw into the end zone for an interception.

"I was stupid," said Lomax, who later threw three more interceptions. "I don't know why he threw it to me. It caught me totally by surprise. It was a bad reaction on my part. As soon as I threw it I knew it was a penalty." The penalty, of course, was declined.

The Cowboys' rout became complete when cornerback Ron Fellows intercepted Lomax and sped 34 yards down the right sideline to score with 2:15 left.

The Cardinals' offense was hampered in large part having wide receivers Roy Green and Pat Tilley on injured reserve. Instead, the Cardinals used two receivers who joined the team just last week.

"We bring them in here on Friday and suit them up and I don't even know half their names," Lomax said.

## ■ Rams Lose Bartkowski

Steve Bartkowski, the Los Angeles' Rams starting quarterback, has sprained his right knee, which has been operated on five times, and is expected to be unable to play for two weeks, The Associated Press reported from Anaheim, California.

Steve Dils, who took over Sunday when Bartkowski was hurt during the 34-20 loss in Philadelphia, will start this Sunday against Tampa Bay. But for rookie Jim Everett, who had been seen as the Rams' quarterback of the future, the future may have arrived sooner than planned.

The former Purdue star, who was the third player taken in the NFL college draft last spring, was acquired by the Rams recently in a trade with Houston and signed with the Rams just last Thursday.

Coach John Robinson, who had intended to bring Everett along slowly, said Monday that he will "play when he has to. If Steve gets hurt Sunday, he'll play Sunday."

Robinson chuckled and added, "We'll open no wine until its time . . . unless we've very, very thirsty."

Pat Benic/Reuters

NEARING THE START — KZ-7, center, which is representing New Zealand in the America's Cup, was given a workout Tuesday off Freemantle, Australia, with the two other fiberglass-hull yachts built by the New Zealand syndicate. Trial races for the cup begin Oct. 5.

# Blyleven Gets Carried Away, Home Run Mark Falls 3 Times

*The Associated Press*

MINNEAPOLIS — Bert Blyleven, who has never liked pitching in the Minneapolis Metrodome, had even more reason to dislike it Monday night after allowing three home runs, which broke the major-league record for a season.

The Minnesota Twins' right-hander, although he beat the Cleveland Indians, 6-5, now has given up 49 homers this season. That is three more than the mark set by Hall-of-Famer Robin Roberts of the Philadelphia Phillies in 1956.

"I just hope I end up where Robin Roberts did," said Blyleven, adding that "I don't like this ball park; I'm a fastball pitcher and the ball carries here."

Ironically, the player who hit the record-breaking homer off Blyleven was a rookie who had been involved in a trade for the pitcher last year. Not only that, Jay Bell did it on the first pitch he saw in the majors, a two-out offering in the third inning.

"I was going to swing on the first pitch no matter where it was," Bell said. "It was a great thrill. I thought about it before the game, facing the pitcher I was traded for."

Blyleven said: "Bell hit a fastball. It wasn't a bad pitch — it just carried."

Blyleven also gave up a homer to Joe Carter in the fourth and one to Brett Butler in the eighth. Butler's homer gave the Indians a 5-4 lead over Blyleven, but the Twins rallied.

**Red Sox 7, Orioles 5:** In Boston, Wade Boggs drove in three runs against Baltimore with a double and a single, raising his American League-leading batting average to .353.

Boggs went 2-for-4 to take a four-point lead over Don Mattingly of the New York Yankees in the AL batting race.

## BASEBALL ROUNDUP

AP

Bert Blyleven tipped his hat to the crowd after giving up record breaking home run.

**Yankees 8, Blue Jays 1:** In New York, Dennis Rasmussen pitched a six-hitter and Ron Kittle homered to help drop Toronto into third place in the East Division.

Mattingly went 0-for-3 with a sacrifice fly and an intentional walk, dropping his average to .349. Dave Winfield's two-run single during a five-run seventh gave him 101 runs batted in this year, and made him the first Yankee to drive in 100 or for five consecutive years since Joe DiMaggio did it seven straight times from 1936 to 1942.

**Rangers 3, A's 0:** In Arlington, Texas, rookie Edwin Correa and Jeff Russell held Oakland to four hits and Pete Incaviglia hit a two-run homer in the first inning, one of only three hits off the A's Curt Young.

Correa, who went six innings and allowed only a two-out single by Rusty Tillman in the second, ran his consecutive scoreless inning streak to 23⅔ before leaving the game complaining of stiffness above the right elbow. He struck out eight, but also threw a wild pitch, giving the Ranger staff a major-league record 91 for the season. The Houston Astros had 90 in 1970.

**Royals 2, Angels 1:** In Kansas City, Missouri, George Brett doubled in the winning run against California.

**Cubs 8, Phillies 3:** In the National League, in Philadelphia, Greg Maddux, a 20-year-old pitcher for Chicago, defeated 25-year-old brother Mike with the help of catcher Jody Davis, who homered, had four hits and drove in five runs.

It was believed to have been the first time in the majors that brothers had faced each other as rookie pitchers. The last time any brothers played against each other was on Sept. 13, 1982, when Houston's Joe Niekro beat older brother Phil Niekro, 5-4.

**Dodgers 10, Padres 0:** In San Diego, Orel Hershiser scattered eight hits for his first shutout in more than a year and Pedro Guerrero, Jose Gonzalez and Mike Scioscia homered to help Los Angeles climb out of the West Division cellar.

Rookie left-hander Ray Hayward was the loser, allowing five hits, walking three, throwing three wild pitches, committing a balk and making a throwing error in just 2⅔ innings.

# Big Day in Baseball History

*Los Angeles Times Service*

It was Sept. 30, and in the history of baseball, maybe no other day has produced as many memorable moments. Here are some highlights:

1927 — Babe Ruth hit his 60th home run of the season off Tom Zachary to lead the New York Yankees to a 4-2 victory over the Washington Senators. Walter Johnson, making his final major league appearance, pinch-hit for Zachary in the ninth inning and flied out to Ruth.

1934 — Dizzy Dean beat the Cincinnati Reds, 9-0, for his 30th victory of the year as the St. Louis Cardinals clinched the National League pennant.

1945 — Hank Greenberg hit a grand slam as the Detroit Tigers clinched the American League pennant by the St. Louis Browns, 6-3.

1951 — Jackie Robinson homered in the 14th inning to give the Brooklyn Dodgers a 9-8 victory over the Philadelphia Phillies; that tied them with the New York Giants for first place in the National League, forcing the playoff that Bobby Thomson won with his historic homer.

1962 — Willie Mays homered and gave the San Francisco Giants a 2-1 victory over the Houston Colt .45s on the season's final day. That, coupled with the Dodgers' 1-0 loss to the Cardinals, forced a playoff for the National League pennant, which the Giants won.

1972 — Roberto Clemente doubled in Pittsburgh's 5-0 win victory the New York Mets at Three Rivers Stadium. The hit was the 3,000th and last for Clemente, who died in a plane crash before the next season began.

1984 — Mike Witt pitched a perfect game as the Angels beat the Texas Rangers on the last day of the season, 1-0.



# SCOREBOARD

## Baseball

### Monday's Line Scores

AMERICAN LEAGUE

Toronto 000 000 001—1 4 2
New York 100 300 50x—9 10 0
Cerutti, Caudill (7), Musselman (7), Lamp (8) and Martinez; Rasmussen and Skinner. W—Rasmussen, 17-6. L—Cerutti, 9-4. HRs—Toronto, Upshaw (9). New York, Kittle (21).

Baltimore 002 012 000—5 9 2
Boston 020 120 01x—7 [illegible]
Habyan, Jones (?), Arnold (5), Aase (8) and Dempsey, Nichols (8); Nipper, Stewart (6), Crawford (8), Stanley (9) and Sullivan. W—Nipper, 10-11. L—Habyan, 1-3. Sv—Stanley (16).

Cleveland 001 200 110—5 8 3
Minnesota 022 000 02x—6 10 0
Swindell, D.Jones (8) and Bando; Blyleven, Wilson (?) and Laudner, Reed (9). W—Blyleven, 16-14. L—Swindell, 4-2. Sv—Portugal (1). HRs—Cleveland, Bell (1), Carter (28), Butler (4).

Oakland 000 000 000—0 4 1
Texas 300 000 00x—3 3 0
Young and Tettleton; Correa, Russell (7) and Slaught. W—Correa, 12-13. L—Young, 12-9. Sv—Russell (2). HR—Texas, Incaviglia (29).

California 000 100 000—1 [illegible]
Kansas City 001 001 00x—2 7 0
Lugo, McCaskill (7) and Narron, Miller (8); Jackson, Black (7) and Sundberg. W—[illegible]. L—Lugo, 1-1. Sv—Black (8). HRs—California, Ryal (2). Kansas City, L.Smith (8).

NATIONAL LEAGUE

Chicago 206 120 000—8 14 [illegible]
Philadelphia 000 001 020—3 10 0
G.Maddux, Sanderson (8), Hoffman (9) and Davis; M.Maddux, Jackson (4), Hudson (6), [illegible] (8) and Russell. W—G.Maddux, 2-4. L—M.Maddux, 3-7. HR—Chicago, J. Davis (20).

Los Angeles 111 001 301—10 15 1
San Diego 000 000 000—0 8 2
Hershiser and Scioscia, Fimple (8); Hayward, Whitson (3), LaPoint (5), Booker (8), Lefferts (9) and Santiago. W—Hershiser, 14-13. L—Hayward, 0-2. HRs—Los Angeles, Gonzalez (2), Guerrero (5), Scioscia (5).

### Major League Standings

AMERICAN LEAGUE

| East Division | W | L | Pct. | GB |
|---|---|---|---|---|
| x-Boston | 94 | 61 | .606 | — |
| New York | 85 | 71 | .545 | 9½ |
| Toronto | 85 | 72 | .541 | 10 |
| Detroit | 82 | 74 | .526 | 12½ |
| Cleveland | 80 | 77 | .510 | 15 |
| Milwaukee | 73 | 82 | .471 | 21 |
| Baltimore | 72 | 85 | .459 | 23 |
| **West Division** | | | | |
| x-California | 90 | 66 | .577 | — |
| Texas | 82 | 73 | .532 | 7 |
| Oakland | 74 | 83 | .471 | 16½ |
| Kansas City | 73 | 84 | .465 | 17½ |
| Chicago | 68 | 87 | .439 | 21½ |
| Minnesota | 67 | 89 | .429 | 23 |
| Seattle | 67 | 89 | .429 | 23 |

NATIONAL LEAGUE

| East Division | W | L | Pct. | GB |
|---|---|---|---|---|
| x-New York | 103 | 53 | .660 | — |
| Philadelphia | 83 | 74 | .529 | 19½ |
| St. Louis | 78 | 78 | .500 | 25 |
| Montreal | 76 | 79 | .490 | 26½ |
| Chicago | 68 | 89 | .433 | 35½ |
| Pittsburgh | 62 | 94 | .397 | 41 |
| **West Division** | | | | |
| x-Houston | 91 | 65 | .583 | — |
| Cincinnati | 82 | 74 | .526 | 9 |
| San Francisco | 80 | 76 | .513 | 11 |
| Los Angeles | 72 | 85 | .459 | 19½ |
| Atlanta | 71 | 84 | .458 | 19½ |
| San Diego | 71 | 86 | .452 | 20½ |

x-clinched division title

## Football

### NFL Standings

AMERICAN CONFERENCE

| East | W | L | T | Pct. | PF | PA |
|---|---|---|---|---|---|---|
| N.Y. Jets | 3 | 1 | 0 | .750 | 111 | 96 |
| New England | 2 | 2 | 0 | .500 | 104 | 74 |
| Buffalo | 1 | 3 | 0 | .250 | 91 | 94 |
| Miami | 1 | 3 | 0 | .250 | 119 | 142 |
| Indianapolis | 0 | 4 | 0 | .000 | 27 | 113 |
| **Central** | | | | | | |
| Cincinnati | 2 | 2 | 0 | .500 | 87 | 114 |
| Cleveland | 2 | 2 | 0 | .500 | 91 | 112 |
| Houston | 1 | 3 | 0 | .250 | 80 | 75 |
| Pittsburgh | 1 | 3 | 0 | .250 | 30 | 98 |
| **West** | | | | | | |
| Denver | 4 | 0 | 0 | 1.000 | 119 | 73 |
| Kansas City | 3 | 1 | 0 | .750 | 88 | 67 |
| Seattle | 3 | 1 | 0 | .750 | 105 | 67 |
| L.A. Raiders | 1 | 3 | 0 | .250 | 68 | 75 |
| San Diego | 1 | 3 | 0 | .250 | 97 | 95 |

NATIONAL CONFERENCE

| East | W | L | T | Pct. | PF | PA |
|---|---|---|---|---|---|---|
| Washington | 4 | 0 | 0 | 1.000 | 100 | 61 |
| Dallas | 3 | 1 | 0 | .750 | 128 | 79 |
| N.Y. Giants | 3 | 1 | 0 | .750 | 82 | 64 |
| Philadelphia | 1 | 3 | 0 | .250 | 65 | 107 |
| St. Louis | 0 | 4 | 0 | .000 | 40 | 97 |
| **Central** | | | | | | |
| Chicago | 4 | 0 | 0 | 1.000 | 122 | 40 |
| Minnesota | 3 | 1 | 0 | .750 | 106 | 37 |
| Detroit | 1 | 3 | 0 | .250 | 61 | 89 |
| Tampa Bay | 1 | 3 | 0 | .250 | 61 | 97 |
| Green Bay | 0 | 4 | 0 | .000 | 32 | 122 |
| **West** | | | | | | |
| Atlanta | 4 | 0 | 0 | 1.000 | 124 | 78 |
| L.A. Rams | 3 | 1 | 0 | .750 | 76 | 64 |
| San Francisco | 3 | 1 | 0 | .750 | 101 | 56 |
| New Orleans | 1 | 3 | 0 | .250 | 68 | 87 |

Monday's Result
Dallas 31, St. Louis 7

Oct. 5
Cincinnati vs. Green Bay at Milwaukee
Cleveland at Pittsburgh
Houston at Detroit
Los Angeles Raiders at Kansas City
Miami at New England
Minnesota at Chicago
New York Giants at St. Louis
Philadelphia at Atlanta
Washington at New Orleans
Tampa Bay at Los Angeles Rams
Dallas at Denver
Buffalo at New York Jets
Indianapolis at San Francisco

Oct. 6
San Diego at Seattle

### College Top-20 Ratings

The top 20 teams in The Associated Press college football poll (first-place votes in parentheses, 1986 record, total points based on 20-19-18 etc., last week's ranking):

| | Record | Pts | Pvs |
|---|---|---|---|
| 1.Miami, Fla. (55) | 4-0-0 | 1,156 | 2 |
| 2.Alabama (1) | 4-0-0 | 1,058 | 3 |
| 3.Nebraska | 3-0-0 | 1,020 | 4 |
| 4.Michigan | 3-0-0 | 953 | 5 |
| 5.Penn State (1) | 3-0-0 | 908 | 7 |
| 6.Oklahoma | 2-1-0 | 891 | 1 |
| 7.Auburn | 3-0-0 | 819 | 8 |
| 8.Arkansas | 3-0-0 | 716 | 9 |
| 9.So. California | 3-0-0 | 707 | 12 |
| 10.Arizona | 4-0-0 | 629 | 10 |
| 11.Iowa | 3-0-0 | 510 | 15 |
| 12.Washington | 2-1-0 | 455 | 6 |
| 13.Baylor | 3-1-0 | 420 | 17 |
| 14.Texas A&M | 2-1-0 | 381 | 14 |
| 15.UCLA | 2-1-0 | 290 | 16 |
| 16.Arizona St. | 2-0-1 | 270 | 11 |
| 17.Michigan St. | 2-1-0 | 259 | 19 |
| 18.LSU | 1-1-0 | 144 | 18 |
| 19.Fresno St. | 3-0-0 | 85 | — |
| 20.N. Carolina St. | 3-0-1 | 62 | — |

## Transitions

BASEBALL
American League

CLEVELAND—Bought the contract of Jay Bell, infielder, from Waterbury, Eastern League.

KANSAS CITY—Said it will exercise the buy-out clause on the contract of Dennis Leonard, pitcher.

BASKETBALL
National Basketball Association

INDIANA—Placed Dwayne McClain, guard, on waivers.

PHILADELPHIA—Traded Clemon Johnson, center, and a 1989 first-round draft pick to Seattle for Danny Vranes, forward, and Tim McCormick, center.

FOOTBALL
National Football League

DETROIT—Activated Al Williams, wide receiver. Placed Kevin Glover, offensive guard, on injured reserve.

GREEN BAY—Said John Anderson, linebacker, will be out for the season with a broken left ankle.

NEW ENGLAND—Traded Vencie Glenn, defensive back, to San Diego for an undisclosed 1987 draft pick.

SAN DIEGO—Waived David Martin, cornerback.

HOCKEY
National Hockey League

DETROIT—Sent Mark LaForest, goaltender, Jim Smith and Phil DeGaetano, defensemen, to Adirondack, American Hockey League. Sent Brent Fedyk, right wing, to Regina, Western Hockey League.

HARTFORD—Said Mark Paterson, defenseman, has been suspended indefinitely for failing to report to Binghamton, American Hockey League.

MINNESOTA—Sent Pat Micheletti, center; Jim Archibald and Tim Helmer, right wings, and Larry DePalma, left wings, to Springfield, American Hockey League. Sent George Servinis and Gary McColgan, left wings, to Indianapolis, International Hockey League. Signed Dino Ciccarelli, right wing, and Brian MacLellan, left wing, to three-year contract.

PHILADELPHIA—Suspended Brad McCrimmon, defenseman, indefinitely. Said Brian Dobbin, right wing, will be unable to play for three months following surgery. Sent Darren Jensen, and John Kemp, goaltenders; Tim Tookey, Mitch Lamoreaux, Mike Murray, and Don Nachbaur, centers, Ross Fitzpatrick, Al Hill, Nick Kypreos, Dave McLay, Craig Berube, and John Dzikowski, left wings; Ray Allison, Steve Seguin, and Steve Martinson, right wings, and Kevin Maxwell, Andre Villeneuve, Steve Smith, Kevin McCarthy, and Ian Armstrong, defensemen, to Hershey, American Hockey League.

WASHINGTON—Said Greg Adams, forward, has been suspended by the NHL for the first three regular-season games.

## Volleyball

### World Championship

Semifinals

Group F (at Nantes, France): United States def. Cuba, 15-7, 14-16, 15-5, 15-7; Bulgaria def. France, 15-9, 11-15, 15-12, 15-9.

Group E (at Toulouse, France): Czechoslovakia def. China, 15-9, 15-10, 17-15.

## Soccer

EUROPEAN CHAMPIONS' CUP

Vitkovice (Czechoslovakia) 1, Paris Saint Germain 0; Vitkovice wins, 3-2, on aggregate.

## OBSERVER

# 'Thons' Are Spreading

By Russell Baker

NEW YORK — "Thons" are spreading. The Times of Sept. 12 announced a "nonstop 100-hour reading" of Shakespeare's complete works. It was called a "Bard-a-thon."

An ad beneath the announcement said, "The renewed Carnegie Hall opens early on WNCN with Carnegie-thon."

A couple of weeks earlier Jerry Lewis held his annual muscular-dystrophy telethon.

A telethon is one of the few thons that are not hyphenated. Another is the marathon, the word that seems to have started the thon boom. In 490 B.C. Greeks defeated Persians in battle at the town of Marathon, a man ran all the way to Athens to break the news, and foot races that cover great distances came to be called marathons.

After that, thons became associated with all sorts of things that promised to go on almost forever, like the incessant TV fund-raising that makes public television America's most tireless panhandler.

These are known as beg-a-thons. Bore-a-thons would have been just as appropriate, but the term never caught on, probably because it sounded too much like war-a-thon, which is what Iran and Iraq have been engaged in for years.

The recent apparently endless run of big days in the stock market was, of course, a boom-a-thon.

□

You may conclude then, quite sensibly, that the present boom in thons must be called a thon-a-thon. Alas, you would be wrong. It is a thonic boom.

The "Ring" operas of Richard Wagner ("Das Rheingold," "Die Walküre, "Siegfried" and "Die Götterdämmerung") are known as the Wag-a-thon, and their composer is known as "The Wag-a-thon King."

During a phone-a-thon, people spend days on the phone urging other people to give money for a cause. This is also known in the fund-raising profession as a mooch-a-thon, a cadge-a-thon, a squeeze-a-thon or a plead-a-thon.

When a Montessori school's Parent-Teacher Association holds a weeklong pie-baking competition, the contestants are engaged in a Monte Pie-thon. Society is so mesmerized by thons at the moment that people will do almost anything to produce an amusing one.

Recently, for example, a Montessori School PTA held its pie-baking competition in an airplane it had chartered to fly a circus from Wheeling, West Virginia, to Omaha. The idea was to attract publicity with a press release identifying the school's competitive bakers with Monte Pie-thon's flying circus.

The idea proved to be a dud, since the few hours required for the circus to fly from Wheeling to Omaha was not enough time to justify granting thon status to the pie-bake.

This has raised the question that has raised tempers; to wit, how excessive must a phenomenon be in order to gain a thon rating? Some of the bitterest disputants are in the limousine industry.

□

The argument arose when Kackenknocker Limousine Rentals of New York rented a lim-a-thon to Lazarus, the incredibly popular Greek rock group. Lazarus sued, asserting that, since the so-called lim-a-thon did not go on almost forever, as its thon suggested it would, Kackenknocker Rentals had damaged the group's reputation for gross excess.

Lazarus argues that it did not get a lim-a-thon, but only a limousine, and is suing for a seven-figure sum (a digit-o-thon) to compensate for its resulting humiliation.

Interestingly, Kackenknocker's chief competitor, Sleek Wheel Rentals, has filed an amicus Kackenknockerae brief saying that of course the machine rented to Lazarus conformed to the thon standard, since it was the standard "stretch limo," or "two-bedroom model" as it used to be known.

Sleek Wheel was subtly trying to belittle its competition. Basically it was saying that the lim-a-thon was not meant to be an impressive machine, but merely the old two-bedroom stretch limo.

This is a backhanded way of boasting about its own line of Sly-a-thons. The Sly derives from Sylvester Stallone's show-biz nickname. It is said that since Stallone first rented one of Sleek Wheel's vast cars during a New York visit last year, he refuses to be seen in any other company's limo.

*New York Times Service*

# How the War Brides Met Again At Last

By Rosie Boycott

SOUTHAMPTON — The reunion of 260 War Brides, billed as "positively the last anniversary of World War II," was opened by the eerie wail of an air-raid siren and concluded by Dame Vera Lynn, the "Forces' Sweetheart," leading a fervent singalong of "Land of Hope and Glory." The return was everything their departure might have been, but wasn't.

"Justice has been done 40 years late because we left under a cloud, let's face it," said Janet Novac, formerly of Margate, now resident in Colorado Springs, Colorado, and president of the U. S. Brides' Association that organized the event. "In 1946 marrying a Yank was selling out to silk stockings and Hershey bars. When we sailed from here workers on the liner Queen Elizabeth taunted us, shouting you'll be sorry. But I never was."

More than 40,000 brides sailed to the United States and Canada from Southampton between Jan. 26 and Oct. 4, 1946. "A total of 110,000 brides finally crossed the Atlantic from the UK," said Pamela Winfield, herself a bride, and author of "Sentimental Journey," an account of GI brides' experiences. "It was the biggest influx of immigrants to the U. S. since the turn of the century."

Another writer, Ellie Shukert, from California, daughter of an Austrian bride, said the GIs famous facility with European girls led to 1 million foreign women entering the United States up to 1952.

"Their presence provoked reforms in U. S. immigration and marriage laws and the brides had a historical role. I believe they had a special appreciation for the meaning of liberty."

Gathered to watch video replays of Vera Lynn singing "We'll Meet Again" in the Guildhall's Solent Suite, the homecomers vied to give reporters their tales of how it was.

The worst experiences were to do with being "processed" at the U. S. Army base of Tidworth on Salisbury plain. "Romantic it wasn't," said Doris Porvenzana, who now lives in St. Louis. "We were lined up and told to strip. Then we were examined by army doctors, who were looking for lice. It didn't make a bunch of young brides feel very much at home."

Several women turned back at Tidworth, so appalled by their first taste of the United States, a land they knew only via Hollywood, that they opted to stay with Europe's rationing and austerity.

The boat journeys were a matter of luck. Margarite Couch, returning to her native Southampton for the first time since 1946 with her former GI husband Albert, had a lovely time because her father knew the Queen Mary's purser. "I was trying to settle my baby into a cabin with four other women, all with babies too, when there was a message on the loudspeaker. I was given a private cabin, with my own bath — and every morning a real U.S. senator and his wife came to check on baby Ken." At three months, Ken Couch was the youngest passenger on the liner, still painted in its wartime grey camouflage.

Agnes Schweers, from Paisley in Scotland, was a Canadian bride, sailing from Liverpool on the Mauretania to join her husband in Vancouver. "I can't forget the food even now," she said. "There was so much ice cream, all the kids were sick. They'd never had such a thing in their lives. We felt a bit guilty — knowing that so many people at home still didn't have enough to eat."

She had not seen her husband, Joe Shweers, for two years, and before she arrived in Canada she had spent five days with him, including the wedding day itself. Their brief courtship started at an ice-skating rink in Paisley while his ship was in dock for repairs. Inauspiciously, the date was April 1, 1944.

When they were reunited in Vancouver she feared he would look completely different. "I'd never even seen him in his civvies," she said, using the mid-Atlantic accent all the brides have acquired. "Thank God he was the same sweet fella."

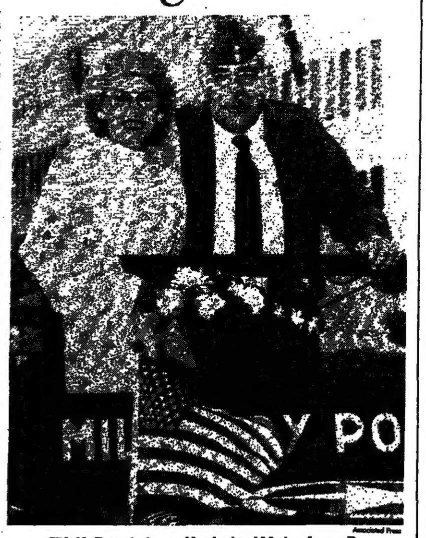
Everyone at the Southampton reunion had someone they were trying to find. For Margarite Couch it was her bridesmaid of 42 years ago, Mary Abbot, who left on another boat whom she has not seen since. "They took us alphabetically," Couch recalls. "So the bureaucracy sent her first. I've always wondered if her marriage worked out."

Many did not, Janet Kovac admitted. A friend, now remarried in Colorado, fell for a Texas rancher, and set off romantically with her five-month-old baby. She found her husband living with his parents in one room with a mud floor. "It lasted 18 months."

Many brides dreamed of the land of plenty and found the reality bitterly different. "A lot of us left poor and stayed that way." Mrs. Couch says. "Why do you think Joe and I haven't been back before? Money."

By the end of the reunion she had become a minor media celebrity and was elected to present the bouquet of white chrysanthemums to Dame Vera, who, dressed in ankle-length ivory lace, looked distinctly like a latter-day bride herself.

It was all a far cry from their somewhat furtive departure. "We treated you shabbily when you left. Now we're giving you the keys of the city," Councillor Steve Sutherland announced. The brides accepted the invitation to enjoy with a sprightliness recalling the wartime photos many carried, all showing girls with Betty Grable haircuts who looked ready to embark on any adventure.



Associated Press

GI bride Betty Arrieta and her husband Mark, a former B-17 pilot ride through Southampton in a jeep. The white dress made up for the one she couldn't have 40 years ago.

Their program included tea at Broadlands, formerly home of Lord Louis Mountbatten, a civic reception with a string quartet, and a service of thanksgiving at the Southampton church of St. Mary's, Southampton's mother church whose bells were immortalized by Bing Crosby's wartime melody.

Their personal tastes ran more to old-fashioned Cockney "knees-up" dances — and a lot of foxtrotting to the Herb Miller orchestra (Herb is the brother of Glenn).

One bride, Mrs. Hilde Cie from Florida, collapsed and died of a heart-attack. There was a one-minute silence before people carried on the party, which, as Janet Kovac said, "was how she would have wanted it."

Margarite Couch, fresh from a film clip starring Van Johnson — "all the girls' dream GI" — commented: "Everyone keeps saying 'We 'll Meet Again' but in your heart you know you probably won't. That's why it's been wonderful having a last knees-up while we still can."

*Rosie Boycott is a London-based journalist.*

## PEOPLE

### Corazon Aquino Plans To Write Autobiography

President Corazon Aquino of the Philippines will write an autobiography, the publishing company Random House announced Tuesday in New York. Robert L. Bernstein, chairman and chief executive officer of Random House, said the book would be based on a diary Mrs. Aquino has been keeping. "Before Corazon Aquino left for the Philippines in November 1983 she visited Random House and we talked about her keeping a diary," Bernstein said. "I think neither of us dreamed at that point what a great personal and political story this would turn out to be," he said. Mrs. Aquino was widowed three years ago when her husband, Benigno Aquino, a foe of former President Ferdinand Marcos, was assassinated upon his return to the Philippines from exile in the United States.

□

Britain's oldest twins celebrated their 100th birthday in Polmont, Scotland, with telegrams from Queen Elizabeth II and a little of what they normally abstain from — a touch of alcohol. Isabella and Marion Weir were guests of honor at a party at a pub attended by 50 friends and relatives. The spinsters attributed their longevity to "hard work and good living" and they said they considered the late 20th century a "topsy-turvy world."

□

The singer Marie Osmond will marry Brian Blosil, 33, a recording engineer. No date has been set for the wedding, Bonnie Rasmussen, director of publicity for Capitol-EMI America in Nashville, Tennessee said. The 26-year-old singer has lived in Provo, Utah, since her 1984 divorce from Steven Craig Rasmussen said.

□

The late Prime Minister Olof Palme of Sweden won the Albert Einstein Peace Prize this year for "wide-ranging efforts on behalf of peace," Norman Cousins, head of the selection board, said in Washington. "As a negotiator, mediator and initiator, he had no equal," Cousins said in a statement distributed by the foundation, which presents the $50,000 prize annually. Palme was assassinated earlier this year in Stockholm. His widow, Lisabeth, will accept the award at a ceremony in Washington Oct. 29.